



State of Missouri

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# Office of Administration

## Division of Budget & Planning

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The Missouri Budget - Fiscal Year 2005

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January 21, 2004

TO THE GENERAL ASSEMBLY AND THE PEOPLE OF MISSOURI:

Ensuring our children have a high quality education has always been my number one priority. We have made great strides in this area. High school graduation rates have increased, assessment scores have improved, and more teachers have been accredited through National Board Certification.

However, our children's education is now threatened by the revenue shortfall facing this state. My budget recommendations have always protected education from cuts. My recommendations have chosen our children's education over corporate tax loopholes, gambling interests, and cigarette manufacturers.

My budget and legislative package continues to call upon the General Assembly leadership to do the right thing for our children's future by protecting education funding. I ask them to choose education over corporate loopholes. I call upon them to increase gaming revenue for education. The gaming industry as a whole has enjoyed increased profits and can afford to help fund education. I also ask them to raise cigarette taxes, because Missouri ranks fifth from the bottom in its cigarette tax rate.

It is also important that we act immediately to take advantage of Missouri's recent economic momentum. Missouri has gained 30,000 jobs since January 2003. The national economy lost more than 220,000 jobs during the same time. Missouri is eighth of all states in terms of job growth since the beginning of the year. Missouri has created more jobs than all of our surrounding states.

In December, I announced Jobs Now, a comprehensive plan to create new jobs. Jobs Now calls for job creation and investments in critical infrastructure, and stimulating the growth of our targeted industries like the plant and life sciences. This initiative will not result in increased costs because existing resources will be redirected through the repeal of several outdated and inefficient tax credit programs.

This legislative session brings both challenges and opportunities. The state faces challenges to balance the budget without cutting too deeply. It also brings opportunities to ensure the education of our children and the future of this state. My plan will protect funding for education, help our state create the jobs necessary to ensure a brighter future, and balance the budget.

Sincerely,

Bob Holden  
Governor of Missouri

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# THE MISSOURI BUDGET FISCAL YEAR 2005 BUDGET SUMMARY

## I. PROTECTING EDUCATION

### Overview

Governor Holden's highest priority has always been education. He understands providing a quality education to Missouri's children is the best way to ensure the future success of this state and all its citizens. A high quality education leads to better school attendance, higher test scores, and greater success in college and the workplace. Missouri has made great strides in improving education opportunities for our children. For example:

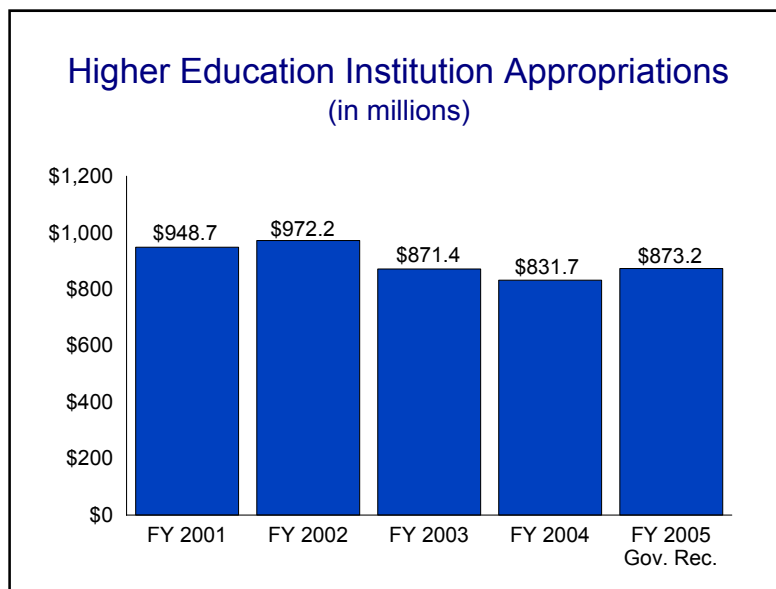
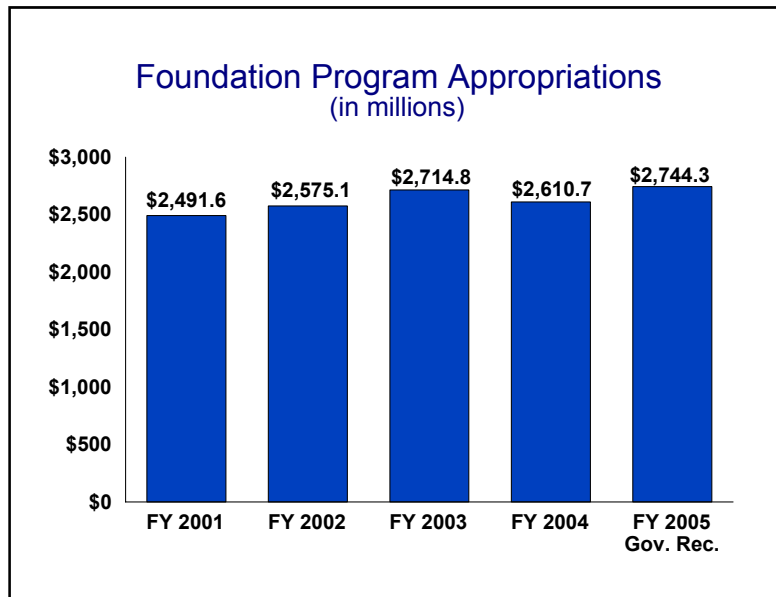
- Between 1996 and 2003 high school graduation rates increased from 74.9 percent to 84.2 percent. Missouri now ranks in the top ten nationally on high school completion rates.
- Missouri's students have shown significant progress on the National Assessment of Educational Progress (NAEP). The percentage of 4th graders scoring at or above the proficient level in mathematics has improved from 19 percent to 30 percent. Those scoring proficient or above in reading rose from 30 percent to 34 percent.
- At the eighth grade level, the percentage scoring at or above the proficient level rose from 28 percent to 34 percent in reading while the mathematics scores improved from 20 percent to 28 percent.
- All 2003 Missouri scores are above the national average except 4th grade mathematics, which is one point below the national percentage.

- 57 more teachers have become accredited through National Board Certification, bringing the total certified in the state to 199.

However, these successes are in jeopardy due to the continuing budget shortfall. If the state is to have a vibrant economy in the future, schools must be protected from devastating cuts that inevitably lead to fewer teachers, larger class size, fewer classroom resources, and lower academic achievement for students. A quality education in the elementary and secondary grades prepares students for success in higher education, at both our two- and four-year colleges and universities. Higher education opportunities are critical for workers who need the skills they can gain in higher education to be successful in the jobs of the future. Missouri's economic future will be dictated by our ability to compete with other states and countries throughout the world for jobs. Businesses will only choose to locate and stay in Missouri if they have access to the resources they need. The most critical resource for businesses is an adaptable, technologically savvy workforce.

The Governor's budget recommendations for Fiscal Year 2004 included a carefully balanced mix of additional reductions to state spending and targeted revenue enhancements to protect education from cuts. Unfortunately, last session the General Assembly failed to act on the Governor's calls to protect education. They refused to close egregious tax loopholes for corporations and, instead, reduced funding for education.

- In Fiscal Year 2004, the General Assembly cut \$115.8 million from the school foundation program. Since a significant percentage of the foundation program supports teacher salaries, school districts were forced to eliminate 2,001 classroom teachers and aides. An additional 508 positions were also reduced including principals, supervisors, library/media personnel, guidance personnel, and administrative staff. Reductions to the school foundation program have forced school districts to increase class sizes and eliminate programs for gifted, at-risk, and disruptive students. The Governor's Fiscal Year 2005 budget restores this money.
- The General Assembly also cut \$40 million from higher education institutions. As a result, tuition at public colleges and universities rose an average of 14.8 percent while tuition at community colleges rose an average of 9.3 percent. The average Missouri student now pays \$1,344 more per year to attend a four-year institution and \$342 more to attend a two-year institution. These increases were simply taxes in disguise and have placed a financial burden on students and their families, forcing an increasing number of students to take on unacceptably high levels of debt in order to pursue a college education. The Governor's Fiscal Year 2005 budget restores this money.



**Targeted Revenue Enhancements  
to Protect Education**

In Fiscal Year 2005, Governor Holden will, once again, make protecting education his top priority. Although cuts in the budget have already been deep, Governor Holden's Fiscal Year 2005 budget contains additional reductions, but not to education. Despite these spending reductions there is still not enough revenue to cover mandatory increases in health care and prison costs and protect education funding. Therefore, Governor Holden calls upon the General Assembly to choose children and the state's chances for future economic success over corporate tax loopholes.

The Governor believes we must stop giving away limited state resources through special tax loopholes that benefit a few wealthy corporations and place a significant percentage of Missouri businesses at an economic disadvantage. We must also eliminate tax loopholes that do not expand the economy. The loopholes that should be closed will save \$121 million and include:

- Geoffrey loophole - \$11.3 million – National franchises set up dummy corporations in other states to avoid a large portion of Missouri taxes. Illinois and 25 other states have provisions to close this loophole. Missouri must require corporations to file combined returns to close this loophole.
- Disallow non-Missouri source income - \$23.3 million – Missouri may be the only state that allows corporations to avoid paying state taxes on income from out-of-state investments such as bank deposits, stocks, and some loans. This loophole encourages out-of-state investments and applies only to corporations and not individual taxpayers.
- Refunds to purchasers - \$7.5 million - Currently, a business that applies for and receives a sales tax refund for taxes they have inappropriately collected from customers is not required to even attempt to find and return the overpayment to the purchaser. A cottage industry of

consultants has developed to mine businesses for such sales tax refunds. As a result, sales tax refunds have increased from \$15.4 million in Fiscal Year 1996 to a projected \$66.0 million in Fiscal Year 2005.

- Disallow single factor - \$57.9 million – Most corporations earn their income through business activities in a number of different states. However, Missouri's tax code provides corporations an enormous advantage not given by other states by allowing them the opportunity to choose the method of determining what portion of the corporation's income Missouri taxes. Single factor apportionment is extremely generous to taxpayers who make most of their sales to out-of-state customers, but rely heavily on Missouri infrastructure because they have facilities and employees here. Giving money away through this loophole only benefits about four percent of corporations that file income taxes in Missouri.
- Common carriers - \$7.4 million – Years ago the legislature enacted sales tax exemptions for the purchase of trucks, parts, and repairs for "common carriers." When these exemptions were passed, every common carrier was required to register with the federal Interstate Commerce Commission allowing only true common carriers (i.e., trucking companies for hire by the general public) to qualify. Today, anyone can register as a common carrier by paying a relatively modest fee and such registration is no longer required in most cases. As a result, we have seen a substantial number of companies form trucking subsidiaries that carry essentially only the goods of the parent, but call the subsidiary a common carrier in order to claim these exemptions.
- Eliminate timely filing discount for withholding tax - \$13.8 million - Missouri businesses receive a discount for sending the income withholding taxes they collect from employees to the state. In other words, businesses

keep a substantial amount of these taxes that employees believe they are paying to government for the services they receive. The state of Missouri is the only state that provides this discount, which has been in effect since 1973 and was originally justified on the basis that businesses required a large amount of staff time to figure out how much withholding should be remitted to the state. However, in the Internet age, computers calculate the amounts and the money can be transmitted to the state in seconds. The discount no longer recognizes the cost of this task and should be eliminated.

In addition to eliminating loopholes, Governor Holden recommends increasing targeted revenue sources to protect education:

- Gaming - \$115.7 million – The Governor's plan to ensure that the Foundation Formula is protected from crippling budget cuts includes new revenue initiatives from riverboat gaming. These initiatives include:
  - Increase tax on riverboat gaming receipts – \$24.5 million. The current adjusted gross receipts tax is 20 percent and is shared by the state (18 percent) and the local governments where the riverboats are docked (2 percent). The Governor's proposal raises the state share to 20 percent and leaves the local share at 2 percent.
  - Increase the riverboat gaming admission fee - \$51.1 million. The current \$2 admission fee is charged for each two-hour cruise. The Governor proposes changing this to a flat daily fee of \$7.
  - Eliminate loss limits on riverboat gaming - \$40.1 million. Missouri is the only state in the nation with a loss limit on riverboat gaming. The limit prevents Missourians and visitors from participating in

gaming to the fullest extent, puts the state's casinos at a competitive disadvantage, and does not provide an effective deterrent for problem gamblers.

- Cigarette tax - \$222.4 million – Tobacco use in Missouri is one of the highest in the nation; 27 percent of adults smoke and about one-third of Missouri teenagers smoke. As a result, Missouri ranks well above average in smoking-related diseases such as heart disease, cancer, and emphysema. The Governor proposes increasing the tax on a pack of cigarettes from the current 17 cents to 72 cents, generating \$207.5 million. Currently, Missouri's cigarette tax is fifth from the bottom of all states. The increased tax would move Missouri to about the average rate across the nation, but still below both Illinois and Kansas. In addition, the Governor proposes to increase the tax on other tobacco products from the current 10 percent of wholesale price to 30 percent, generating \$14.9 million. These amounts are net of the dollars needed to make up for the loss to the existing cigarette tax that is dedicated to schools and healthcare. When the cigarette tax is increased, cigarette sales will decline, and revenue from the existing cigarette tax will be reduced. This proposal holds the schools and healthcare harmless from this reduction.
- Surcharge on taxable income greater than \$200,000 - \$11.9 million – The proposal will place a surcharge on the tax paid by those with taxable income greater than \$200,000. The surcharge would be five percent of the taxes owed. Currently, an individual with taxable Missouri income of \$200,000 owes the state about \$12,000 in taxes. The proposal will implement a surcharge of \$600 for this individual, only a one-half percent increase. The surcharge will affect only about 1.4 percent of taxpayers.



In addition to these targeted revenue enhancements, the Governor recommends legislation that will require the General Assembly to approve any changes in the federal tax statutes before they can affect Missouri tax revenues. This will help protect education from unexpected revenue loss caused by federal tax code changes. This proposal will also disallow businesses from taking the accelerated depreciation bonus as follows:

- Accelerated depreciation - \$48.8 million – The proposal makes the moratorium included in SB 1248 (2002) passed by the General Assembly permanent. Federal accelerated depreciation will no longer be allowed to reduce Missouri taxes. Accelerated depreciation would still be allowed on federal returns.

revenue collections, holes in the tax structure, significant control over revenue by politicians in Washington, and a continued reliance on one-time revenue rather than permanent solutions. More specifically:

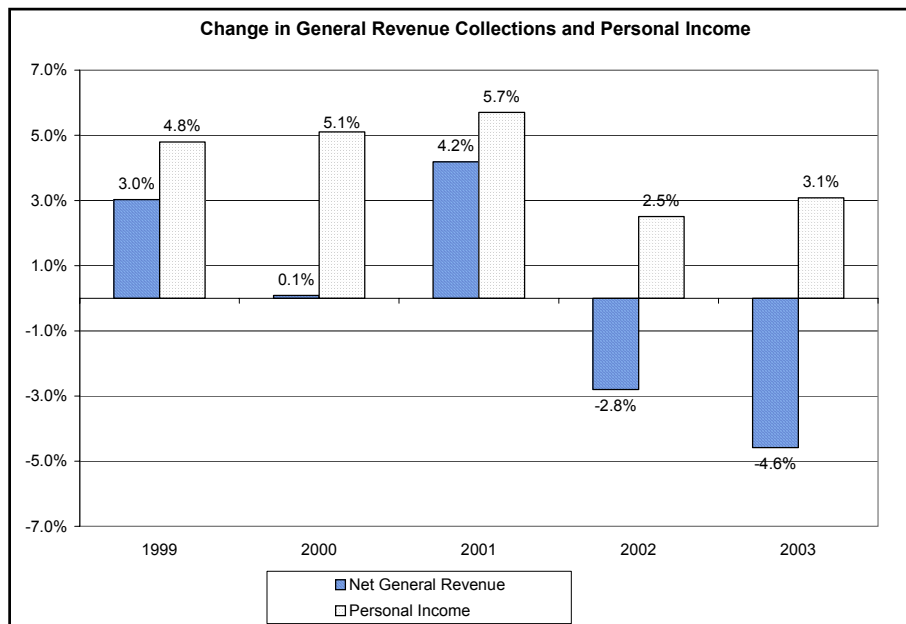
***Missouri has experienced a shortfall in revenue collections.***

- In Fiscal Year 2002, Missouri experienced the first decline in net general revenue collections since 1955, ending with 2.8 percent (\$178.9 million) less in net general revenue collections than the year before.
- Fiscal Year 2003 brought the second year in a row of declining revenue, with a decrease of 4.6 percent (\$284.6 million) in net general revenue collections.
- Declining revenue has occurred despite growth in personal income. Missouri is very dependent on the individual income tax as it makes up about 60 percent of net revenue. Therefore, collections should be closely tied to personal income. However, as can be seen in the following chart, this connection has been missing in recent years:

## II. MISSOURI'S REVENUE SITUATION

### Overview – Problems with Missouri's Revenue System

Missouri's tax system has experienced many problems in recent years. These problems need to be permanently addressed or schools, seniors, children, and others who depend upon state services will continue to see services eroded. The problems with Missouri's revenue system include a shortfall in



- Individual income taxes, net of refunds, fell by \$382 million between Fiscal Years 2001 and 2003, a ten percent reduction.
- Net corporate and franchise taxes fell by about \$100 million from Fiscal Year 2000 to Fiscal Year 2003, a 30 percent reduction.

***Missouri's tax structure is full of holes.***

- *Governing* Magazine gave Missouri its highest ranking (four stars) for its fiscal management. Missouri was one of only six states to receive four stars.
- At the same time, *Governing* gave Missouri only two stars (out of four possible) for the fairness of its tax system to taxpayers and the adequacy of its revenue.
- *Governing* said Missouri's "tax base is narrow and full of holes created by exemptions for both income and sales taxes. Fairness problems are inevitable when credits and exemptions expand without much review." Further, *Governing* said, "Given a system like that, it's no surprise that private-sector groups bring tax cases to court on a regular basis. There's relatively little to lose and a lot to gain."
- From 1997 to 1999, the General Assembly permanently reduced Missouri's tax base by about \$700 million. The biggest reductions were the sales tax exemption for food, increase in the personal exemption for the individual income tax, and exemption of private pensions from income tax. These tax changes have left a permanent and sizable hole in our revenue base.
- In addition to tax cuts, the General Assembly also expanded tax credits. Tax credits grew from \$91 million to \$163 million (a 79 percent increase) from Fiscal Year 1999 to Fiscal Year 2003. There are also significant amounts of tax credits that have been issued, but not yet redeemed. These

tax credits could be redeemed at any time, causing budget uncertainties and placing further strain on revenue collections.

- Dr. Donald Phares completed a study titled Examining Missouri's Tax System: Tax Expenditures – A First Step. In this study, Dr. Phares refers to the loopholes in our tax system as tax expenditures. He notes "... tax expenditures are seldom, if ever, subject to legislative or executive scrutiny... While the normal budget process subjects spending to rigorous and very detailed scrutiny and review, such is not the case with scores of tax expenditures that cost Missouri hundreds of millions of dollars in lost revenue." Dr. Phares goes on to say, "The tax base for the state's two major revenue generators, general sales and individual income, has been eroded through these provisions. In addition and perhaps even more damning for the general sales tax, the definition or scope of its base has been narrowed to tangible items that are a shrinking proportion of consumer spending."

***Missouri's tax system is controlled by Washington.***

- Missouri's income tax is coupled to the federal tax system. Although there is a good reason for this (ease of tax preparation), it means that the revenue available for vital state sources can be negatively affected by changes to the federal tax code. Federal tax cuts enacted in 2001, 2002, and 2003 will reduce state revenues by an estimated \$220 million in Fiscal Year 2005.
- Although it would be too burdensome for taxpayers to completely decouple Missouri's tax code from the federal system, a few minor changes would give the state much more control over its own resources without burdening taxpayers.

SUMMARY OF FEDERAL TAX CUTS ON MISSOURI REVENUES					
	FY02	FY03	FY04	FY05	FY06
<b>Cuts Passed in State FY 2001</b>					
repeal of the estate tax	\$0.0	(\$30.0)	(\$72.0)	(\$117.0)	(\$165.0)
all other	(\$21.1)	(\$11.6)	(\$8.6)	(\$29.3)	(\$26.8)
	<b>(\$21.1)</b>	<b>(\$41.6)</b>	<b>(\$80.6)</b>	<b>(\$146.3)</b>	<b>(\$191.8)</b>
<b>Cuts Passed in State FY 2002 and FY 2003</b>	(\$58.0)	\$0.0	(\$75.3)	(\$75.3)	N/A
<b>Total</b>	<b>(\$79.1)</b>	<b>(\$41.6)</b>	<b>(\$155.9)</b>	<b>(\$221.6)</b>	<b>(\$191.8)</b>

**Missouri has Relied Heavily on One-Time Revenue Sources.**

- Missouri has used one-time funding sources to fund ongoing expenses. In previous years, much of the shortfall caused by the disappearance of one-time funds was made up by a combination of growing collections, other one-time sources, and targeted cuts to the budget. However, in the current and upcoming fiscal year, the magnitude of the one-time problem has grown to the extent that significant cuts will be necessary if new revenue is not approved.
- In Fiscal Year 2003, about \$435 million in one-time funding was used to support the ongoing budget. These included balances from several funds and one-time revenue from intergovernmental transfer payments and tobacco settlement payments.
- The Governor proposed making up for the loss of these one-time funds in Fiscal Year 2004 through a combination of budget cuts and targeted revenue increases. The General Assembly, however, was opposed to any significant revenue increase. In May, the federal government offered a one-time budget fix for states through increased federal payments. The final budget in Missouri contained a combination of cuts, the one-time federal fiscal relief, and other one-time fixes.

- The most significant components of the current one-time problem are:

- Federal fiscal relief – The Fiscal Year 2004 budget includes about \$387 million in one-time payments from the federal government.
- Revenue bonds – During Fiscal Year 2003 and Fiscal Year 2004 the state used \$150 million and \$124.5 million respectively to help balance the budget.
- Legislation – The General Assembly approved legislation that will generate an estimated \$83 million in Fiscal Year 2004. Unfortunately, about \$67.2 million of that amount is from one-time sources, such as sweeping balances out of other funds.

**Review of the Fiscal Year 2003 and 2004 Budgets**

The State of Missouri finished Fiscal Year 2003 with a balanced operating budget, but in a very difficult financial condition. Net general revenue declined 4.6 percent, requiring total withholdings of about \$342.6 million. The shortfall was largely due to the continued struggling national economy caused by the uncertainty in Iraq.

While the national and state economy has grown modestly since the beginning of the fiscal year, state revenue collection growth has continued to be slow. Through the first

six months of Fiscal Year 2004, gross general revenue collections have been up only 2.4 percent. This is well below the 5.4 percent growth needed to fund the appropriations approved by the General Assembly. Gross collections would have to increase 7.9 percent for the remainder of the year to meet the amount appropriated. While collections net of refunds are up 4.8 percent at the end of December, refunds are expected to increase during the second half of the fiscal year due to the impact of the federal tax cuts and increasing tax credit redemption.

Because the budget approved by the General Assembly did not take these negatives into account, their budget was not balanced and Governor Holden was forced to implement withholdings of \$240 million in July. In December, the Governor was notified that the federal government had provided an unexpected \$83 million for social services. The Department of Social Services developed a plan to bring reimbursements for Medicaid into the State Treasury a year early. This plan was approved by the federal Medicaid agency. This freed up money that could then be released to schools. The Governor continues to monitor the revenue situation and will release additional money to schools if and when it is fiscally responsible to do so.

### **The Economic Outlook**

**U.S. Economy and Outlook** – After ten consecutive years of real growth as measured by real Gross Domestic Product (GDP), the U.S. economy fell into a recession in 2001. Fortunately, real GDP growth resumed in 2002 and 2003. For calendar year 2003, real GDP is expected to increase 3.1 percent. The inflation rate as measured by the Consumer Price Index is expected to rise 2.3 percent in 2003. This remains low by historical standards. With the economy still recovering, the national unemployment rate is expected to be 6.0 percent for all of 2003.

Looking ahead, the U.S. economic outlook is guardedly positive. Many leading forecasters, including Macroeconomic Advisers in St. Louis, expect the U.S.

economy to improve over the next 18 months. For Fiscal Years 2004 and 2005, the Macroeconomic Advisers forecast is for real GDP to grow 4.6 percent and 4.4 percent, respectively. The inflation rate is expected to be 1.8 and 1.3 percent in the two fiscal years. The U.S. unemployment rate is expected to decline from 6.0 percent to 5.4 percent over the forecast period. This combination of inflation and unemployment will produce a so-called misery index (inflation rate plus unemployment rate) of about 6.7 percent. It is notable that the misery index remains low by historical standards. From 1981 through 1992 the misery index averaged 11.7 percent.

The outlook for improved performance is based on the following factors:

- The Federal Reserve has continued to pursue an expansionary monetary policy, lowering interest rates as recently as June 2003. The federal funds rate target was reduced from 1.25 percent to 1.00 percent.
- Oil prices are expected to remain relatively low. The price of imported oil is expected to be around \$23.50 per barrel over the forecast period. This assumes no escalation of hostilities in the Middle East.
- Consumer spending growth has held up well despite the stagnant economy of most of the last two years. This is expected to continue over the forecast period.

In summary, while the U.S. economy appears poised for better times, there is considerable downside risk. For the expected economic improvement to occur many things must happen. These include:

- A sustained stock market recovery.
- Continued strength in consumer spending.
- Business confidence and business hiring must accelerate. This must also lead to enhanced capital spending.

Last and certainly not least, should additional terrorist attacks occur in the U.S. or against U.S. interests abroad, employment gains would likely slow and oil prices would likely rise sharply. This would almost certainly slow the economic recovery now under way. This, in turn, would severely impact state revenues.

**Missouri Economy and Outlook** – As is the case with the national economy, the Missouri economy has begun to show signs of recovery. The Missouri unemployment rate in November 2002 stood at 5.6 percent. One year later, the Missouri unemployment rate was at 5.0 percent. Jobs have begun to recover with a growth of 30,000 from January 2003 to November 2003. During the same time period, the national economy lost 220,000 jobs. The slowly improving economy has also boosted the rate of growth in Missouri personal income. After growing by 2.5 percent and 3.1 percent in Fiscal Years 2002 and 2003, respectively, growth of 3.3 percent is expected in Fiscal Year 2004. Further, the Missouri Purchasing Managers Index stood at 60.2 in November of 2003. This index purports to predict the direction of the state economy. An index number above 50 generally indicates improving economic conditions.

A modest rebound is expected. The state economy remains diverse with a strong presence in health care services, agriculture, and the travel and leisure industry. Employment in health care services has grown from 195,300 in 1990 to 257,000 in November of 2003. Missouri maintains a very favorable business tax climate evidenced by Missouri's corporate income tax ranking of 46<sup>th</sup> of 46 states that

levy such a tax. As the U.S. economy rebounds, growth in the Missouri economy will likely resume.

### **Revenue Projections for Fiscal Years 2004 and 2005**

Forecasting revenues is an inherently difficult task, particularly during periods of economic transition and with much uncertainty at home and abroad. The loopholes in Missouri's tax system and its connection to the federal tax code make forecasting even more difficult. Missouri continues to see a growing disconnect between the economy and tax collections.

The revised Fiscal Year 2004 revenue estimate projects that economically driven growth in net general revenue collections will be 2.1 percent. However, after non-economic factors such as the federal tax cuts and growth in tax credits are included, net collections will decline by 0.7 percent from the Fiscal Year 2003 level.

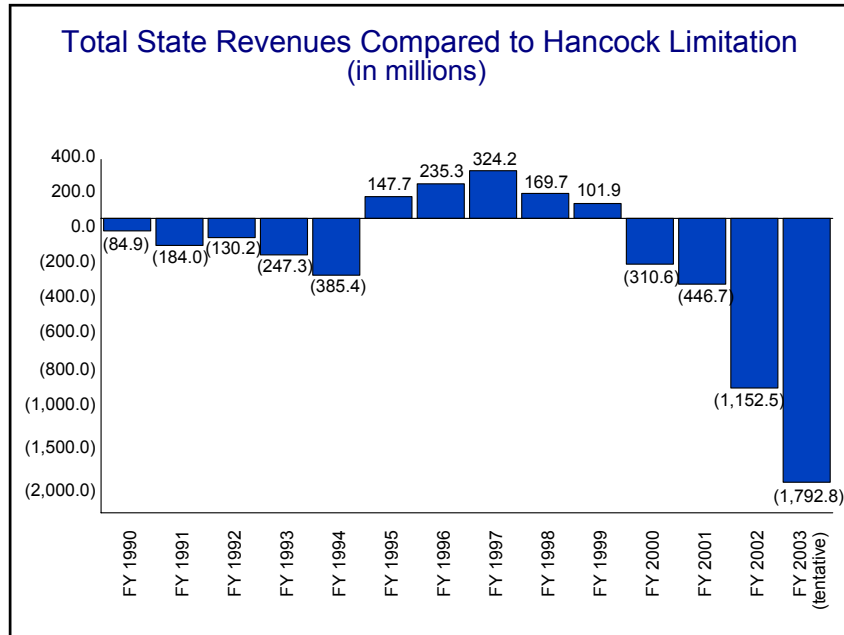
For Fiscal Year 2005, Governor Holden, the Senate, and the House of Representatives have agreed to a consensus revenue forecast of \$6,392.0 million net general revenue collections. This is an optimistic estimate, but is achievable if the economy and employment continue to improve. Also, it assumes the federal government does not make additional tax code changes that would depress Missouri collections. A critical part of the agreement is to reevaluate the situation in April, after additional information is known about revenue collections, and modify the estimate if warranted. All parties agreed to this reevaluation.

### **ECONOMIC PROJECTIONS**

	Increase	
<u>U.S.</u>	<u>FY 2004</u>	<u>FY 2005</u>
Real GDP	4.6%	4.4%
Consumer Prices	1.8%	1.3%
Consumption Expenditures	5.4%	4.8%
Unemployment Rate	6.0%	5.4%
 <u>MISSOURI</u>		
Total Employment	0.2%	1.1%
Increase in Personal Income	3.3%	3.2%

### **Revenue Limitation Amendment**

Article X of the Missouri Constitution establishes a revenue and spending limit on state government. The limit is about 5.6 percent of Missouri personal income based on the relationship between personal income and total state revenues when the limit was established and approved by voters in November 1980. Calculations made pursuant to Article X of the Missouri



Constitution show that total state revenues for Fiscal Year 2003 were below the total state revenue limit by \$1.79 billion – the greatest amount below the limit since it was established. As measured by the state's revenue limit, in Fiscal Year 2003 Missourians paid a smaller percentage of their personal income to state government than at any time since enactment of the limit in 1980.

The Office of Administration projects that total state revenues will not exceed the total state revenue limit in Fiscal Years 2004 or 2005. These preliminary calculations are subject to change as actual state revenue collections become known and as the federal government revises its estimates of Missouri personal income.

These projections could change if the General Assembly were to pass legislation to increase revenue without a vote of the people under the \$75 million limit allowed by the Constitution. Per Article X of the Missouri Constitution, revenue approved by the voters is not subject to the revenue and spending limit.

### III. CORE BUDGET REVIEW

#### Previous Cuts Have Been Deep

The General Assembly has already made deep cuts to the Missouri budget. In addition to the devastating cuts to education discussed previously, examples of cuts already made include:

- \$75 million state and federal funds cut from Medicaid resulted in approximately 34,300 Missourians losing health care. This reduction eliminated health care coverage for parents trying to transition from welfare to work and reduced coverage for pregnant women. With the loss of access to preventative care, it is likely that many have ended up in emergency rooms and hospitals with more expensive health care needs.
- \$10.3 million cut from the Grandparents as Foster Parents Program. Eligible participants have had their reimbursement rate reduced from \$202 to just \$68 per month for the 2,500 children served by the program. This has created a financial burden for grandparents who have accepted the responsibility of raising their grandchildren on a fixed income.

- \$10.3 million in reductions to psychiatric community programs for over 4,000 seriously mentally ill and emotionally disordered children and adults. Services reduced include outpatient treatment, residential treatment, case management, recovery supports, and crisis intervention alternatives.
- \$7.2 million in reductions to community programs for 2,000 disabled Missourians, resulting in reduced services to autistic clients, day habilitation, respite care, and transportation services.
- \$3.8 million in reductions to substance abuse treatment services, resulting in more than 1,300 clients no longer having access to services. These include services such as Oxford Houses and Comprehensive Substance Treatment and Rehabilitation (CSTAR) programs that serve pregnant women and women with children.
- \$3.1 million cut from environmental health and communicable disease prevention efforts. These reductions occurred while new and increased demands continue to develop such as West Nile disease and Severe Acute Respiratory Syndrome (SARS), anthrax investigations, and soil, water, and air contamination.
- \$3.6 million for women's primary health care services was eliminated. This program served over 30,000 low-income women throughout the state. Consequences of not funding this program include undiagnosed venereal diseases and cancer, inadequate prenatal care, low birth weight babies with complex short-term and long-term health problems, and higher infant mortality. For Fiscal Year 2005, the Governor recommends \$5 million to provide a comprehensive health services program that includes reproductive health services.
- \$2.6 million was cut from the Department of Corrections, resulting in the elimination of 88 institutional staff positions including cooks, caseworkers, teachers and maintenance staff. These reductions put greater strains on the correctional officers who supervise the inmates as more of their efforts must be directed to covering the duties of the eliminated positions.
- \$6.2 million was cut from the Customized Job Training program. This has resulted in fewer companies receiving assistance, and smaller awards for those that do. Employees receiving training decreased from 35,613 to 24,639, which translates into a less competitive workforce and fewer high-paying jobs.
- \$1.1 million in technology funding cuts has resulted in the elimination of the Centers for Advanced Technology and Electronic Materials Applied Research Center programs. The Manufacturing Extension Partnership Program and Innovation Centers have also received less funding. These combined actions have resulted in fewer research projects and fewer companies that are served with technology and commercialization activities. This will have a negative impact on the amount of new investment and sales generated by companies that use these programs.
- \$180,688 was cut and forced the closure of the Cameron Veterinary Laboratory. This facility handled the laboratory component of the State Meat and Poultry Inspection Program and provided diagnostic testing for animal diseases in Northwest Missouri.
- \$4.6 million in assistance for transit providers has been reduced, eliminating approximately 1.3 million trips. Many people rely on public transportation to get to work, to get to medical appointments and to carry out other daily activities.
- \$4 million for Landmark Local Park grants has been eliminated. This grant program provided an essential source of revenue for developing park and recreation facilities throughout the state.



- State employees have been cut significantly, particularly general revenue funded staff. For example, from Fiscal Year 2001 through 2004:
  - The Department of Economic Development lost 48 percent of its general revenue staff.
  - The Office of Administration lost 25 percent.
  - The Department of Public Safety lost 18 percent.
  - The Department of Health and Senior Services lost 16 percent.
  - The Department of Mental Health lost 14 percent.

These cuts have led to reduced services for Missourians and increasing workloads for remaining employees.

### **Streamlining Government**

Between Fiscal Years 2001 and 2004, over 2,000 positions have been permanently cut from the Missouri budget. The Governor's budget recommendations for Fiscal Year 2005 include a net reduction of an additional 1,000 positions, bringing the total reduction to about 3,000 positions.

Comparing 2003 to 2002 year-to-date employment information, Missouri had the sixth largest percentage **decrease** in state and local government employees of all the states. Oregon, Michigan, Connecticut, Massachusetts, and West Virginia had bigger percentage reductions. All other states had smaller reductions or actually had growth in government employment.

When comparing Missouri to 12 other comparable states (13 including Missouri), Missouri ranks third from the bottom in the number of administrative employees per 10,000 people.

Although Missouri has already made deep administrative cuts and improved the efficiency of operations, Governor Holden continues to encourage all agencies to look for additional ways to save taxpayer dollars. Under the Governor's leadership, the following additional efficiencies will be implemented:

**Early Retirement** – The incentive plan, authorized by SB 248 (2003), will result in the elimination of 557 positions and save \$10.5 million general revenue, \$18.2 million total.

**Spend Management** – The Office of Administration has negotiated a contract with a firm that specializes in reducing procurement spending. The contract guarantees savings of at least twice the cost of the services provided, and the contractor projects annual savings of between \$6 and \$9 million, all funds, in the first year. Additional savings are expected in future years. The effort is two-pronged – make sure the state is getting the best price possible and buy only what is actually needed. This effort will allow departments to more effectively operate despite large cuts in their Fiscal Year 2004 budgets.

**Responsible Debt Management** – The state of Missouri is one of only seven states in the nation that have received the highest, "Triple A", bond rating from Moody's Investors Service, Standard and Poor's Corporation, and Fitch Ratings. Maintaining a high rating is important because it saves taxpayers money. The Office of Administration also keeps borrowing costs as low as possible by refinancing debt when market conditions warrant, saving over \$69 million over the last two fiscal years. To continue achieving savings, the Governor recommends \$200,000 in Fiscal Year 2005 to implement a debt management program. These funds will allow the use of outside consultants to monitor the state's debt and act quickly to save money on ongoing debt payments.

**Telecommunications Savings** – Representatives from private business joined with several state agencies to lower telecommunications costs. Team recommendations include developing audit guidelines to help agencies assess their current services, factor actual telecommunications costs into evaluation criteria for state leased facilities, and amend purchasing contracts to allow for extended terms and more negotiations. The estimated cost savings over the next several years could be more than \$3 million, all funds.



**Vehicle Fleet Management** – Following the directive of Governor Holden, the state has reduced its passenger vehicle fleet by 960 vehicles since 2002. These efforts have reduced the fleet size by nearly 20 percent. A new initiative calls for an initial reduction of 25 percent of vehicles traveling less than 5,000 miles per year. The vast majority of these vehicles are special function vehicles such as mail delivery and facility support vehicles. Research is also underway to determine options to reduce maintenance and repair expenditures for state vehicles.

**Information Technology Consolidation** – Efforts continue to effectively manage the state's information technology (IT). An interagency review committee has recommended the state move to a single e-mail system and the Governor has directed the implementation of this recommendation. Savings will be generated by using the state's purchasing power to get the best deal on hardware and software and by only training employees to use one system. Staff now working on maintaining these multiple systems can be redirected to other critical needs. Savings will be redirected towards reengineering and consolidating business processes to eliminate duplicate systems, and improving the state's IT infrastructure to take advantage of other cost-saving mergers. Other IT operations being evaluated for future consolidation include servers, network management, and PC administration and support.

### **Medicaid Cost Containment**

Missouri has undertaken numerous initiatives to control the costs of its Medicaid Program. Cost control measures have saved over \$300 million state and federal funds in the Pharmacy Program alone. Because of rising health care costs and the crisis Missouri is currently experiencing with stagnant revenues, the Governor's budget includes numerous cost containment measures to curtail escalating Medicaid expenditures. Combined, these efforts will save about \$51.9 million general revenue in Fiscal Year 2005. Savings will increase in future years. Cost containment efforts include: carrying out the final steps of a preferred drug list; expanding disease

management and case management efforts; implementing copayments on some services; reducing rates paid to providers so they do not exceed normal Medicaid rates; improving the efficiency of the non-emergency medical transportation program; and implementing several efforts to ensure Medicaid does not pay for costs that should be paid by private insurers.

### **Tax Credit Accountability**

Once again Governor Holden is calling on the General Assembly to pass a tax credit accountability and reform bill. Many of these programs have produced outstanding results for businesses, communities, and the state. Others, however, should be eliminated, modernized, or reformed because they have not fulfilled their promise or have provided an inadequate return on the state's investment. Currently there are 53 tax credit programs authorized by law. Twenty-five of those programs have been passed into law by the General Assembly since 1990. These credits alone have cost the state over four billion dollars during this 13-year period.

### **More Efficient Prisons**

The oldest prison west of the Mississippi, the Missouri State Penitentiary, will be closed in Fiscal Year 2005. The sprawling facility had become too costly to operate and will be replaced with a new Jefferson City Correctional Center. With continued budget pressures, it is also necessary to close another inefficient prison. The Chillicothe Correctional Center will be closed and its 525 women offenders will be moved to space in the Tipton Correctional Center. The Chillicothe facility was opened in 1895 as a juvenile detention facility. An assortment of buildings were added through the early 1900s and in 1981 the facility was converted to a correctional center for women offenders. Now, there are looming repair and renovation costs of \$9.7 million. In addition, savings from operating costs in Fiscal Year 2005 will total \$1.7 million, with additional savings in Fiscal Year 2006 of \$1.2 million. Some additional costs will be incurred because of

the move, and living within Missouri's existing prison space may be a challenge. Regardless, the move will result in a net savings to the state.

### **Managing for Results Initiative**

Governor Holden's Managing for Results Initiative (MRI) is a long-term commitment to doing business more efficiently and effectively. MRI is a management tool for the Governor and his cabinet to help keep government focused on results and to drive meaningful improvements for citizens. MRI encourages fact-based decision making and innovation and recognizes the need for agencies to work together to drive significant improvements. Agency projects have saved millions of dollars and countless hours for Missouri citizens and state employees. These projects have helped agencies cope with significant cuts in their salary and expense budgets. Descriptions of these projects can be found at the MRI website ([www.mri.missouri.gov](http://www.mri.missouri.gov)). MRI projects include:

- Department of Social Services Child Support Enforcement Team – Child support collections were not reaching the children and their families who depend upon them on a timely basis. The team recommended improvements to the computer system and enhanced efforts to locate current addresses. These efforts have led to a 50 percent reduction in undistributed collections.
- Department of Corrections (DOC) Victim Services Team – Victims were not always being notified in a timely fashion about upcoming parole hearings. The team recommended focusing on high priority cases, improving coordination between DOC and local law enforcement agencies, and increasing use of the Internet to speed up notification. These efforts have led to a 100 percent success rate in providing 30-day advance notification of parole hearings.
- DOC Population Growth Team – Offender population has been expanding rapidly. Left unchecked, new prisons will have to be built at a significant cost to the taxpayers. The team recommended better training for probation and parole staff, enhanced case management of parolees, and increased use of performance data to identify areas of the state with high return-to-prison rates. These initiatives coupled with efforts of the Board of Probation and Parole have reduced incarcerated offender population growth from 4.56 offenders per day in Fiscal Year 2002 to 1.39 offenders per day in Fiscal Year 2003. The ongoing initiatives of this team and the Board of Probation and Parole, coupled with the implementation of sentencing reform included in Senate Bill 5 (2003), will continue to reduce the growth of the incarcerated offender population.
- DOC Recycling Team – DOC has saved over \$100,000 through the recycling of trash in several of its correctional facilities. Efforts are underway to expand recycling efforts to 17 other institutions. The annual savings of these institutions, combined with expanded recycling efforts within other DOC facilities and other participating state agencies, is expected to reach over \$1 million. An interdepartmental team, sponsored by DOC, is developing a plan to aide in the expansion of recycling efforts to other departments.
- Department of Labor and Industrial Relations Appeals Team – Unemployment compensation appeals were taking too long to be resolved. The team recommended establishing a specialized unit to hear most common cases, better training, and other improvements. As a result, the backlog has been reduced from a high of 6,800 cases down to just 200, with total backlog elimination expected in 2004.

- Office of Administration Statewide Mail Team – The cost of mail was increasing at the same time departments' budgets were being cut. The team recommended use of computer technology to verify addresses, sort mail, and apply bar codes. The team also recommended revising the mail services contract to obtain cheaper rates. Through these efforts, \$1.5 million in savings have already been realized with eventual savings of \$1.9 million anticipated for all funds. These savings will allow agencies to manage operations despite large reductions in their expense budgets.
- Department of Mental Health (DMH) Collections Team – This project increased payment collections in FY 2003 by \$534,498 from private insurers and MC+ providers. It is anticipated that full implementation will increase collections for services rendered by over \$2 million dollars per year. Improvements included negotiation of statewide service agreements with large third party payers, language in MC+ contracts to ensure payment for services provided to individuals who are civilly committed to DMH hospitals, and staff assigned at each acute care facility to ensure payment for services provided.

#### **IV. FISCAL YEAR 2005 SUMMARY OF RECOMMENDATIONS**

##### **Overview**

Fiscal Year 2005 base operating appropriations after core cuts are \$6,620 million. New operating budget appropriations of \$442 million are recommended to continue high priority existing programs, cover increasing Medicaid caseloads and costs, address security needs, respond to the expected growth in prison inmate population, provide for increased state employee health care costs, and implement new legislation. This brings the total general revenue operating budget to \$7,062 million.

A total of \$40 million has also been set aside for supplemental appropriations and increases in estimated appropriations.

##### **Protecting Education**

The Governor's Fiscal Year 2005 budget recommendations include restoring the money cut from education by the General Assembly as follows:

- \$100 million for the Foundation Equity Formula and At-Risk Program.
- \$9.9 million for the School Transportation Program.
- \$2.4 million for Parents As Teachers.
- \$1.5 million for the Gifted Program.
- \$800,000 for Vocational Education.
- \$34.2 million for Missouri's four-year colleges and universities.
- \$7 million for Missouri's community colleges.
- \$255,588 for Linn State Technical College.

In addition, the Governor recommends:

- \$20.7 million for Early Childhood Special Education for educational services provided to three- and four-year-old children with disabilities.
- \$2.8 million to provide early intervention services for developmentally delayed infants. This will provide services to an additional 221 children.

##### **Increasing Jobs**

In December, Governor Holden announced Jobs Now, a comprehensive plan to accelerate the state's economy as it continues to emerge from the national recession. Jobs Now will create new jobs through targeted investments in critical

infrastructure, help stimulate the growth of our targeted industries like the plant and life sciences, and provide increased funding to ensure a highly skilled workforce in the state. The plan is cost neutral because it will re-direct resources from several inefficient tax credit programs and will leverage non-state investments from private sources and federal funds. In addition to the Jobs Now Initiative, the Governor recommends:

- \$6.5 million Temporary Assistance for Needy Families (TANF) bonus dollars for training and career development opportunities to help low-income families find and retain jobs.
- \$688,477 to provide the necessary resources to implement the Missouri Downtown and Rural Economic Stimulus Act, as authorized by HB 289 (2003).
- \$500,000 for the Arts Council to match available federal funds. Funding for the arts attracts tourists and spurs economic activity that improves state and local economies.

### **Protecting Children**

Governor Holden ordered a review of the child welfare system in 2003 in response to the tragic death of a Missouri child. Because of the review's findings, the Governor directed a reorganization of the department and created a division focused on the health and safety of children. Together with the Judiciary, the General Assembly, and child advocates from across the state, the Governor has worked to develop a comprehensive system to protect all children. While there have been many changes in Missouri's Child Welfare Program, some areas still need improvement. In order to strengthen the state's child welfare system and expand the opportunities for youth in state custody, the Governor recommends:

- \$9.3 million, including \$6.1 million general revenue, to begin the process of gaining national accreditation for the state's child welfare program from the Council on Accreditation. Accreditation will provide additional tools to staff and lower unmanageable caseload sizes. Children facing abuse or neglect deserve to have a trained and dedicated child welfare team to intervene on their behalf.
- \$1.1 million, including \$521,826 general revenue, to provide fingerprint checks against the Missouri Highway Patrol and FBI databases for all those who provide care for children in state custody.

### **Assisting Seniors and the Disabled**

**Missouri Senior Rx Program** -- For Missouri seniors, the affordability of prescription drugs continues to be a serious concern. Prescription drug coverage through Medicare will not be available until 2006 and even then it will be limited. For seniors with limited resources, choosing which prescription to fill is, unfortunately, a choice they often must make. During a special session called by Governor Holden in September 2001, the General Assembly approved the Missouri Senior Rx Program to provide drug coverage for seniors with individual incomes below \$17,000 or household incomes below \$23,000. After the seniors meet an annual deductible, the Missouri Senior Rx Program will pay 60 percent of the cost of prescription medications up to a maximum of \$5,000 a year. The program is serving about 19,000 low-income seniors. The average annual income for current participants is only \$12,322. The Governor recommends:

- \$7.5 million to pay for drug costs of about 5,000 additional seniors in the Program.
- Modifying the program to assist 85,000 to 145,000 Missouri seniors who will be left out of the recently announced federal drug program.

**Expanded Health Care Coverage for Seniors and the Disabled** – Health care access for the elderly and disabled will be improved by increasing the federal poverty level used to determine Medicaid eligibility from 90 percent to 100 percent. The eligibility expansion will allow individuals with monthly incomes up to \$748 to be Medicaid eligible. Approximately 20,000 elderly and disabled people will become eligible to receive full Medicaid coverage. The Governor recommends:

- \$21.1 million, including \$8.2 million general revenue, to expand Medicaid eligibility for the elderly and disabled from 90 percent of the federal poverty level to 100 percent of the federal poverty level.

**Expanding Services for Mental Health Clients** – The Governor recommends \$16.8 million, including \$6.5 million general revenue, to provide services to an additional 2,400 clients of the Department of Mental Health. This will serve about 980 children and adults with severe mental illness, 175 developmentally disabled children and adults, and 1,248 children and adults with alcohol or drug abuse problems.

### **Ensuring Women's Health**

The Governor recommends \$5 million for comprehensive health services for low-income individuals with unmet health needs such as screenings, education, treatment for chronic and infectious diseases, and reproductive health services. These funds will provide services to about 26,700 low-income women.

### **Enhancing the Safety of the Public**

Governor Holden continues his commitment to equipping the Department of Public Safety and local law enforcement with the tools needed to protect Missouri citizens from crime. The Governor recommends the following measures to ensure the general safety of the public at large:

- \$5.2 million state highways and transportation department fund to upgrade Highway Patrol communication capabilities and pay for criminal justice data processing expenses.
- \$1.6 million federal and other funds to support and enhance crime lab and forensic science services.
- \$1.2 million federal and other funds to enhance the Highway Patrol's automated fingerprint identification system, pursuant to SB 184 (2003), by developing and integrating a computer-searchable database of palm prints.

### **Caring for Veterans**

Missourians have served with distinction in the armed forces of our nation, placing their lives at risk in order to preserve our freedom. Governor Holden recognizes the special debt owed to these guardians of liberty. The Governor recommends the following measures to support veterans.

- \$1.8 million and 93 staff to comply with federally prescribed veterans' home nursing care standards.
- \$1.1 million for increased pharmaceutical costs at veterans' homes.
- \$818,593 veterans' commission capital improvement trust fund to administer the Korean Conflict Medal Program pursuant to SB 219 (2003).
- \$105,282 to coordinate ongoing benefit awareness efforts to minority veterans statewide.

### **Increasing Funds for the Treatment of Sexually Violent Predators**

Persons deemed by the courts to be sexually violent predators are committed to the custody of the Department of Mental Health for control and treatment until they can safely return to the community. The courts have also tended to place individuals in the department's custody pending final determination of their status. The program began in January 1999 at the Southeast Missouri Mental Health Center, and the number of individuals detained or committed has steadily increased. Governor Holden recommends an increase of \$1.2 million for an additional 17-bed ward. It is projected that the Center will be at full capacity by July 2004.

### **Investing in Missouri State Employees**

The state of Missouri competes for qualified, high performing employees at all levels of government. This becomes increasingly difficult when salary levels stagnate. Because of the poor economy and associated devastating budget reductions that have occurred across Missouri state government, only one small pay increase has been funded over the last three years. A system-wide cost-of-living adjustment has not been made to employee salaries since Fiscal Year 2001, while Missouri personal income has increased nearly nine percent. Only one of Missouri's eight contiguous states (Oklahoma) has not provided state employees pay increases in the past two years. Through these tough budget times, state employees have remained dedicated to providing critical services for Missouri citizens.

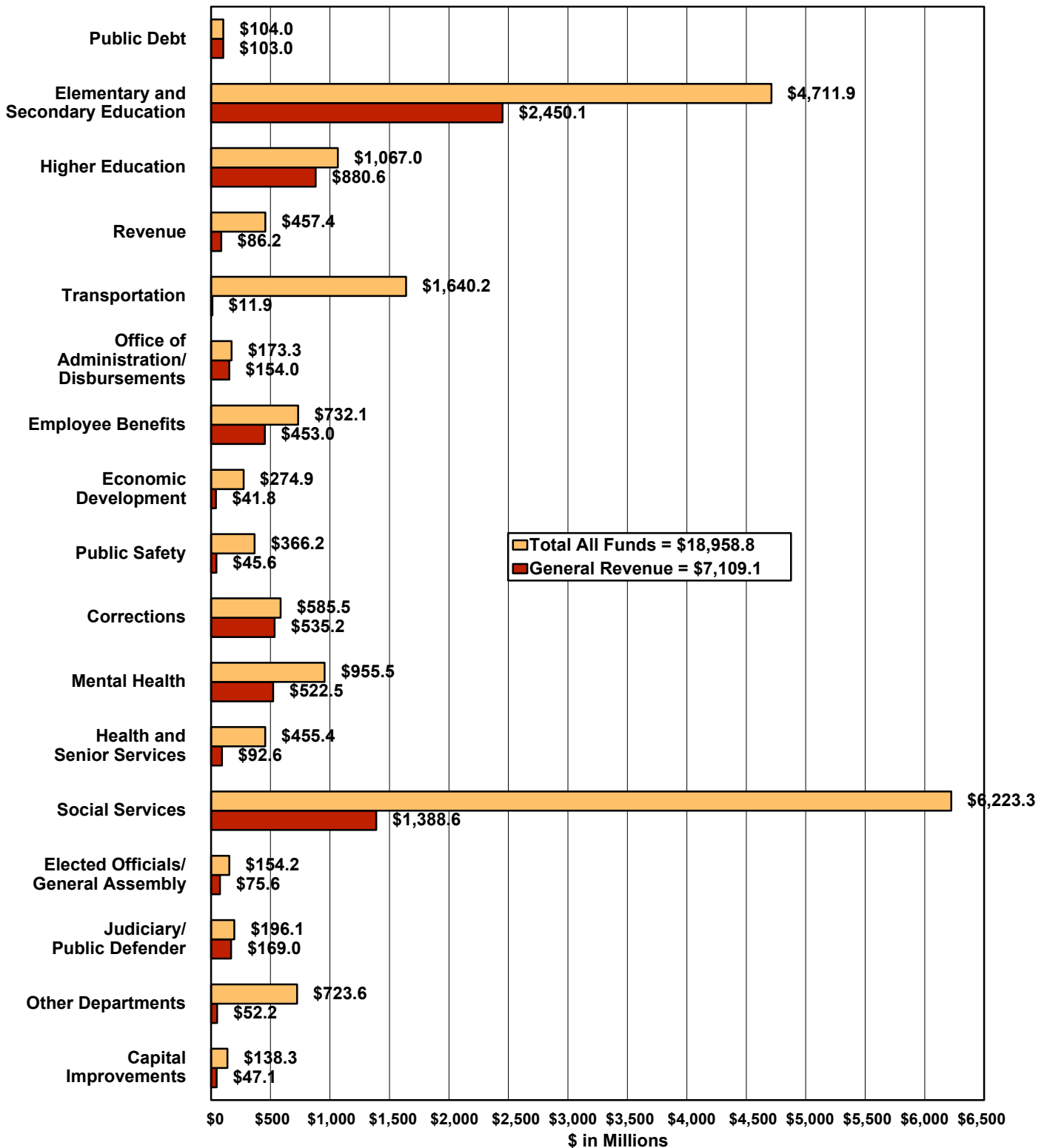
Census data from 2002 show that Missouri ranks 49<sup>th</sup> in average state employee salaries. In Fiscal Year 2003, more than 80 percent of state employee salaries were below the market rate. Successive years without increases for experienced employees has resulted in a compression of the majority of state workers in the lower pay steps on each range. Consequently, it is becoming increasingly difficult to fill vacancies and keep employees, especially

in certain critical job classes. For example, the turnover rate for nursing positions ranges from 20 to over 50 percent. The turnover rate for psychiatric aides in the state's mental health facilities is about 20 percent. Around one-fourth of all youth specialists working with juvenile offenders leave each year, and the turnover rate for corrections officers is 17 percent. Every year, 15 to 20 percent of social service workers leave. High turnover rates cost Missourians due to increased training and overtime for remaining staff, and reduce the overall effectiveness and efficiency of state government.

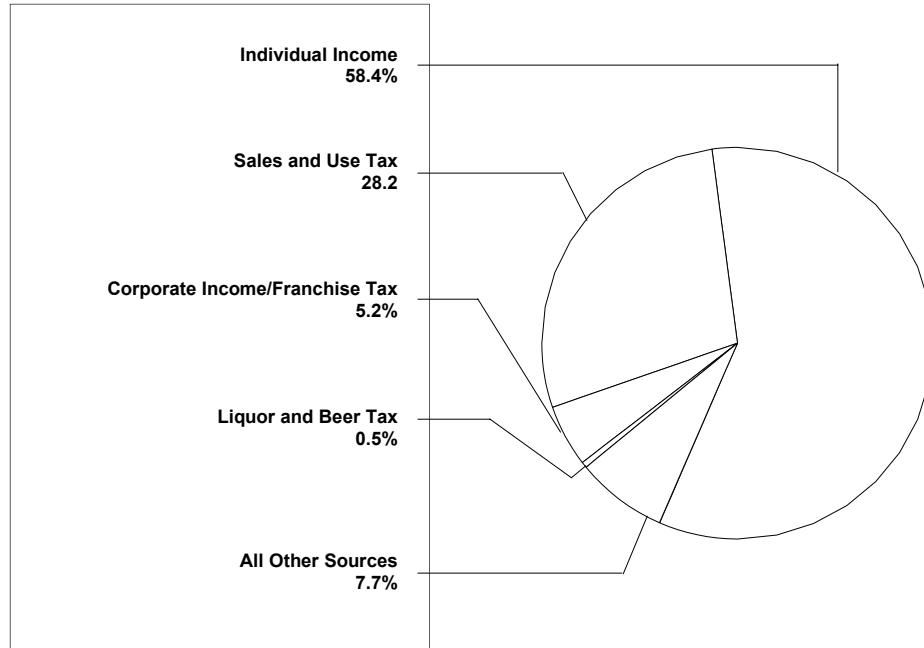
To maintain a high-performing state workforce, the Governor recommends:

- \$46.2 million, including \$23.9 million general revenue, for a two percent cost of living increase for all employees, including related fringe benefits. The cost of the pay plan without accompanying fringe benefits is \$39.5 million, including \$20.1 million general revenue.
- \$19.4 million, including \$15.6 million general revenue, for increases for certain critical classes, including related fringe benefits. The cost of the increases without accompanying fringe benefits is \$16.5 million, including \$13.2 million general revenue.
- \$44.5 million for continuing health care benefits, including \$29 million general revenue.
- \$5.6 million to implement SB 248 (2003), which increased the state's contribution for health care for certain early retirees, including \$3.7 million general revenue.
- \$3.9 million to increase the state subsidy for the employee/spouse and employee/family categories to 83 percent, including \$2.5 million general revenue.
- \$21.2 million to fund the retirement system, including \$13 million general revenue.

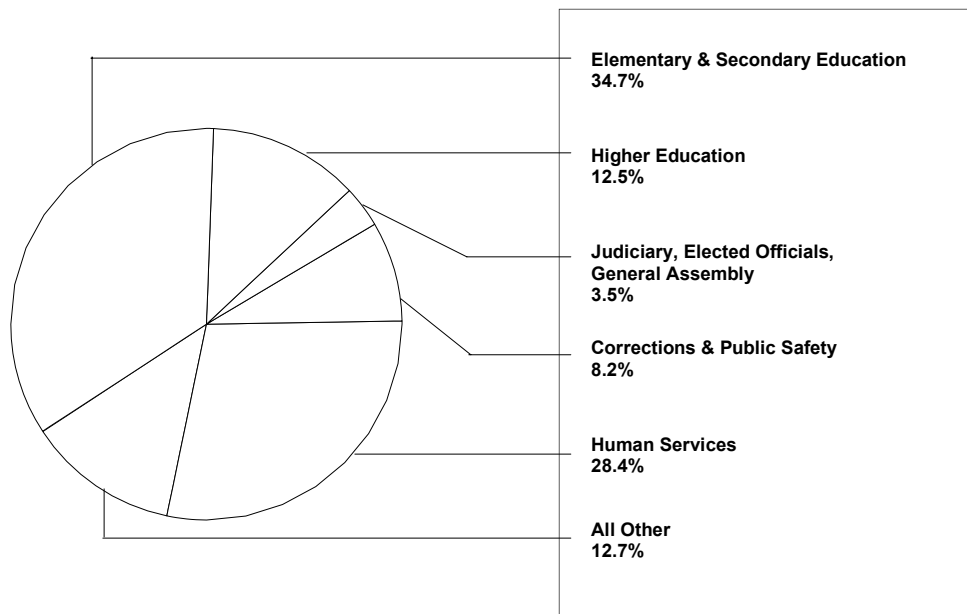
## FY 2005 BUDGET RECOMMENDATIONS



**REVENUES  
GENERAL REVENUE RECEIPTS  
FISCAL YEAR 2005**



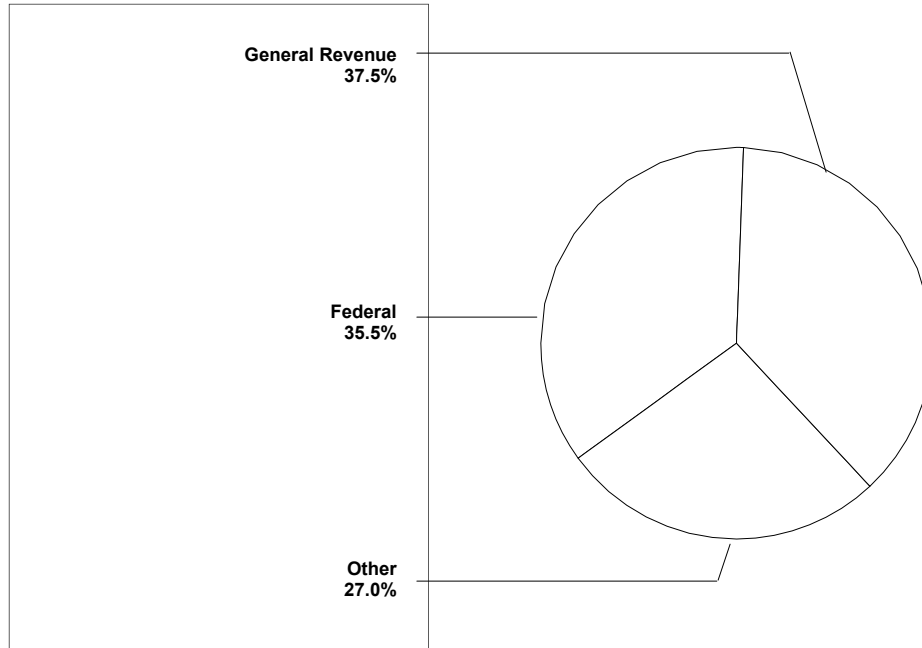
**EXPENDITURES\*  
GENERAL REVENUE OPERATING BUDGET  
FISCAL YEAR 2005**



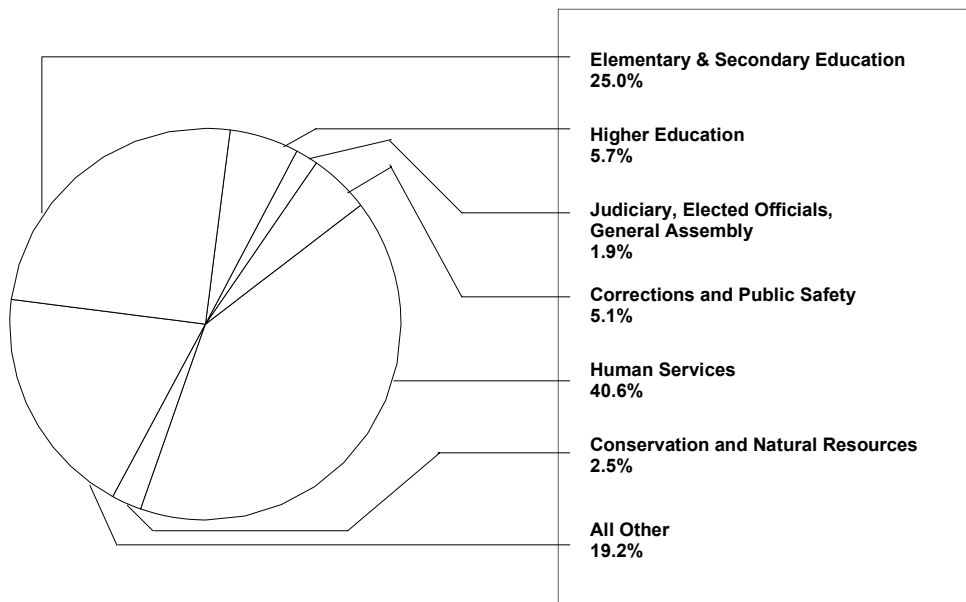
**\*Excludes refunds**



**TOTAL STATE OPERATING BUDGET  
SOURCES OF FUNDS\*  
FISCAL YEAR 2005**



**EXPENDITURES\*  
ALL FUNDS OPERATING BUDGET  
FISCAL YEAR 2005**



**\*Excludes refunds**

## GENERAL REVENUE RECEIPTS AND ESTIMATES

	<u>Receipts</u> <u>FY 2003</u>	<u>Estimated</u> <u>FY 2004</u>	<u>Estimated</u> <u>FY 2005</u>	<u>Governor</u> <u>FY 2005</u>
<b><u>Collections</u></b>				
Individual Income Tax	\$ 4,368,671,009	\$ 4,485,500,000	\$ 4,821,900,000	\$ 4,833,800,000
Sales and Use Tax	1,799,340,040	1,851,600,000	1,970,000,000	1,984,900,000
Corporate Income/Franchise Tax	403,770,858	380,600,000	417,100,000	572,200,000
Cigarette Tax	0	0	0	222,400,000
County Foreign Insurance Tax	157,136,444	157,100,000	167,900,000	167,900,000
Liquor Tax	21,425,120	21,900,000	23,500,000	23,500,000
Beer Tax	8,225,453	8,400,000	8,800,000	8,800,000
Inheritance/Estate Tax	79,070,844	66,000,000	42,000,000	42,000,000
Interest on Deposits and Investments	21,134,379	16,100,000	21,000,000	21,000,000
Federal Reimbursements*	101,799,999	88,600,000	85,200,000	85,200,000
All Other Sources	125,926,511	131,300,000	121,200,000	121,200,000
Total General Revenue Collections	7,086,500,657	7,207,100,000	7,678,600,000	8,082,900,000
Refunds**	(1,166,287,471)	(1,320,100,000)	(1,286,600,000)	(1,286,600,000)
Net General Revenue Collections	\$ 5,920,213,186	\$ 5,887,000,000	\$ 6,392,000,000	\$ 6,796,300,000
<b><u>Transfers</u></b>				
Regular transfers	158,668,595	127,708,926	98,794,261	98,794,261
Article X repayments	969,672	0	0	0
Revenue Bond transfer	150,000,000	81,900,000	42,600,000	42,600,000
Federal Fiscal Relief transfer	0	175,800,000	0	0
Budget Reserve Fund	18,657,590	25,439,152	15,600,000	15,600,000
Healthy Families Trust Fund	89,412,043	59,715,848	60,622,939	60,622,939
Total Transfers	417,707,900	470,563,926	217,617,200	217,617,200
Total Net General Revenue Collections and Transfers	\$ 6,337,921,086	\$ 6,357,563,926	\$ 6,609,617,200	\$ 7,013,917,200

\* Fiscal Years 2003 and 2004 do not include \$95,133,169 received each year from the United States Treasury pursuant to the "Jobs and Growth Tax Relief Reconciliation Act of 2003".

\*\* Fiscal Year 2003 includes Article X refunds of \$5,950,032

## **GENERAL REVENUE SUMMARY**

<b><u>RESOURCES</u></b>	<b><u>FY 2003</u></b>	<b><u>FY 2004</u></b>	<b><u>FY 2005</u></b>
Beginning Balance	\$ 75,341,333	\$ 121,650,930	\$ 11,544,878
Previous Year's Lapse (1)	89,804,349	94,630,960	60,759,245
Revenue Collections	7,086,500,657	7,207,100,000	8,082,900,000
Refunds - Regular	(1,160,337,439)	(1,320,100,000)	(1,286,600,000)
Refunds - Article X	(5,950,032)	0	0
Tax Credit Savings	0	0	12,100,000
Transfers to Fund	267,707,900	212,863,926	175,017,200
Federal Fiscal Relief (2)	95,133,169	270,933,169	0
Revenue Bonds	150,000,000	81,900,000	42,600,000
Total Resources Available	\$ 6,598,199,937	\$ 6,668,978,985	\$ 7,098,321,323
<b><u>OBLIGATIONS</u></b>			
Operating Appropriations	\$ 6,831,832,905	\$ 6,748,268,119	\$ 7,062,011,799
Tobacco securitization	50,398,859	0	0
Capital Improvements Appropriations	40,846,243	37,148,542	47,057,586
Confirmed lapse/withholdings	(534,662,062)	(210,129,872)	(45,100,000)
Supplementals/Increased Estimateds	88,133,062	82,147,318	40,000,000
Fee Legislation Savings	0	0	(7,013,226)
Total Obligations	6,476,549,007	6,657,434,107	7,096,956,159
Ending Balance	\$ 121,650,930	\$ 11,544,878	\$ 1,365,164

### **NOTES TO GENERAL REVENUE SUMMARY**

- (1) Unexpended appropriations are counted as a resource in the next fiscal year to avoid premature commitment of uncertain resources until actual lapses are known.
- (2) Federal Fiscal Relief pursuant to the "Jobs and Growth Tax Relief Reconciliation Act of 2003" includes receipts of \$95,133,169 in Fiscal Years 2003 and 2004 and a transfer of \$175,800,000 in Fiscal Year 2004 from the enhanced Federal Medical Assistance Percentage (FMAP) receipts.

## FY 2005 OPERATING AND CAPITAL BUDGET SUMMARY

House <u>Bill</u>	<u>FY 2003 Expenditure</u>	<u>FY 2004 Appropriation</u>	Governor's Recommendation <u>FY 2005</u>
<b>1     <u>Public Debt</u></b>			
General Revenue	\$        44,656,216	\$        103,553,110	\$        103,045,815
Federal Funds	0	0	0
Other Funds	0	987,647	996,472
Total	<u>\$        44,656,216</u>	<u>\$        104,540,757</u>	<u>\$        104,042,287</u>
<b>2     <u>Elementary and Secondary Education</u></b>			
General Revenue	\$        2,323,936,885	\$        2,464,161,089	\$        2,450,108,372
Federal Funds	725,455,637	927,318,630	949,361,696
Other Funds	1,314,484,978	1,158,941,912	1,312,412,137
Total	<u>\$        4,363,877,500</u>	<u>\$        4,550,421,631</u>	<u>\$        4,711,882,205</u>
<b>3     <u>Higher Education</u></b>			
General Revenue	\$        819,136,439	\$        839,518,558	\$        880,617,399
Federal Funds	3,450,213	6,690,637	6,245,225
Other Funds	163,422,403	181,476,578	180,148,253
Total	<u>\$        986,009,055</u>	<u>\$        1,027,685,773</u>	<u>\$        1,067,010,877</u>
<b>4     <u>Revenue</u></b>			
General Revenue	\$        66,216,732	\$        79,388,409	\$        86,233,266
Federal Funds	836,166	8,048,685	8,998,727
Other Funds	352,197,778	362,223,394	362,167,762
Total	<u>\$        419,250,676</u>	<u>\$        449,660,488</u>	<u>\$        457,399,755</u>
<b>4     <u>Transportation</u></b>			
General Revenue	\$        10,385,355	\$        10,665,296	\$        11,871,012
Federal Funds	29,251,978	55,597,241	53,292,811
Other Funds	1,780,374,816	1,658,351,078	1,575,037,969
Total	<u>\$        1,820,012,149</u>	<u>\$        1,724,613,615</u>	<u>\$        1,640,201,792</u>
<b>5     <u>Office of Administration</u></b>			
General Revenue	\$        136,087,137	\$        147,521,674	\$        154,006,559
Federal Funds	4,602,910	19,952,464	9,567,057
Other Funds	37,883,011	8,031,151	9,721,819
Total	<u>\$        178,573,058</u>	<u>\$        175,505,289</u>	<u>\$        173,295,435</u>
<b>5     <u>Employee Benefits</u></b>			
General Revenue	\$        398,562,945	\$        415,478,524	\$        453,008,926
Federal Funds	103,166,248	120,621,393	141,341,400
Other Funds	101,673,617	116,887,848	137,754,154
Total	<u>\$        603,402,810</u>	<u>\$        652,987,765</u>	<u>\$        732,104,480</u>
<b>6     <u>Agriculture</u></b>			
General Revenue	\$        13,139,227	\$        13,317,171	\$        13,076,492
Federal Funds	1,367,803	5,875,382	5,387,459
Other Funds	10,585,908	15,797,936	15,885,408
Total	<u>\$        25,092,938</u>	<u>\$        34,990,489</u>	<u>\$        34,349,359</u>

## FY 2005 OPERATING AND CAPITAL BUDGET SUMMARY

House <u>Bill</u>	<u>FY 2003 Expenditure</u>	<u>FY 2004 Appropriation</u>	<u>Governor's Recommendation FY 2005</u>
<b>6</b> <b><u>Natural Resources</u></b>			
General Revenue	\$ 10,530,395	\$ 8,936,771	\$ 8,645,754
Federal Funds	31,802,494	46,927,510	46,499,597
Other Funds	121,582,383	275,810,752	277,900,735
Total	\$ 163,915,272	\$ 331,675,033	\$ 333,046,086
<b>6</b> <b><u>Conservation</u></b>			
General Revenue	\$ 0	\$ 0	\$ 0
Federal Funds	0	0	0
Other Funds	114,705,274	126,951,038	133,000,439
Total	\$ 114,705,274	\$ 126,951,038	\$ 133,000,439
<b>7</b> <b><u>Economic Development</u></b>			
General Revenue	\$ 38,480,160	\$ 40,898,933	\$ 41,821,216
Federal Funds	112,649,078	163,686,889	163,006,453
Other Funds	51,007,757	68,961,021	70,056,265
Total	\$ 202,136,995	\$ 273,546,843	\$ 274,883,934
<b>7</b> <b><u>Insurance</u></b>			
General Revenue	\$ 0	\$ 0	\$ 200,000
Federal Funds	312,958	450,000	450,000
Other Funds	12,569,585	14,268,710	13,856,909
Total	\$ 12,882,543	\$ 14,718,710	\$ 14,506,909
<b>7</b> <b><u>Labor and Industrial Relations</u></b>			
General Revenue	\$ 3,516,405	\$ 3,118,319	\$ 2,831,376
Federal Funds	40,184,791	68,097,711	62,063,361
Other Funds	71,586,562	81,107,154	93,377,542
Total	\$ 115,287,758	\$ 152,323,184	\$ 158,272,279
<b>8</b> <b><u>Public Safety</u></b>			
General Revenue	\$ 43,899,204	\$ 39,422,758	\$ 45,608,397
Federal Funds	130,897,118	87,031,465	82,197,639
Other Funds	184,485,866	222,769,781	238,389,114
Total	\$ 359,282,188	\$ 349,224,004	\$ 366,195,150
<b>9</b> <b><u>Corrections</u></b>			
General Revenue	\$ 480,879,881	\$ 522,561,102	\$ 535,180,307
Federal Funds	4,519,330	8,972,901	7,770,096
Other Funds	31,046,560	42,947,609	42,574,180
Total	\$ 516,445,771	\$ 574,481,612	\$ 585,524,583
<b>10</b> <b><u>Mental Health</u></b>			
General Revenue	\$ 505,786,104	\$ 509,586,118	\$ 522,527,997
Federal Funds	101,986,367	383,833,022	397,516,700
Other Funds	35,398,047	35,613,321	35,411,363
Total	\$ 643,170,518	\$ 929,032,461	\$ 955,456,060

## FY 2005 OPERATING AND CAPITAL BUDGET SUMMARY

House <u>Bill</u>	<u>FY 2003 Expenditure</u>	<u>FY 2004 Appropriation</u>	<u>Governor's Recommendation FY 2005</u>
<b>10    <u>Health and Senior Services</u></b>			
General Revenue	\$        79,042,857	\$        81,863,107	\$        92,634,628
Federal Funds	259,181,362	318,438,264	320,939,791
Other Funds	28,748,897	40,700,155	41,780,551
Total	<u>\$        366,973,116</u>	<u>\$        441,001,526</u>	<u>\$        455,354,970</u>
<b>11    <u>Social Services</u></b>			
General Revenue	\$        1,106,405,491	\$        1,203,065,524	\$        1,388,606,574
Federal Funds	4,038,881,105	4,003,040,350	4,365,024,628
Other Funds	504,009,545	353,194,192	469,663,512
Total	<u>\$        5,649,296,141</u>	<u>\$        5,559,300,066</u>	<u>\$        6,223,294,714</u>
<b>12    <u>Elected Officials</u></b>			
General Revenue	\$        42,611,552	\$        41,849,145	\$        43,618,200
Federal Funds	4,560,587	12,829,508	36,306,274
Other Funds	27,579,683	29,970,099	42,091,947
Total	<u>\$        74,751,822</u>	<u>\$        84,648,752</u>	<u>\$        122,016,421</u>
<b>12    <u>Judiciary</u></b>			
General Revenue	\$        139,003,782	\$        137,546,486	\$        140,436,828
Federal Funds	4,950,075	16,869,957	16,811,261
Other Funds	5,122,784	6,347,831	8,926,802
Total	<u>\$        149,076,641</u>	<u>\$        160,764,274</u>	<u>\$        166,174,891</u>
<b>12    <u>Public Defender</u></b>			
General Revenue	\$        28,837,478	\$        28,111,874	\$        28,558,170
Federal Funds	0	125,000	125,000
Other Funds	1,193,698	1,215,734	1,216,901
Total	<u>\$        30,031,176</u>	<u>\$        29,452,608</u>	<u>\$        29,900,071</u>
<b>12    <u>General Assembly</u></b>			
General Revenue	\$        30,933,643	\$        31,255,219	\$        31,945,253
Federal Funds	0	0	0
Other Funds	52,716	191,491	191,905
Total	<u>\$        30,986,359</u>	<u>\$        31,446,710</u>	<u>\$        32,137,158</u>
<b>13    <u>Statewide Leasing</u></b>			
General Revenue	\$        27,135,310	\$        26,448,932	\$        27,429,258
Federal Funds	13,595,954	17,185,969	17,068,557
Other Funds	5,533,626	5,973,022	5,915,522
Total	<u>\$        46,264,890</u>	<u>\$        49,607,923</u>	<u>\$        50,413,337</u>
<b>14    <u>Supplemental Recommendations</u></b>			
General Revenue		\$        38,061,413	
Federal Funds		108,829,373	
Other Funds		101,954,833	
Total		<u>\$        248,845,619</u>	

## FY 2005 OPERATING AND CAPITAL BUDGET SUMMARY

House Bill	FY 2003 Expenditure	FY 2004 Appropriation	Governor's Recommendation FY 2005
<b><u>Total Operating Budget</u></b>			
General Revenue	\$ 6,349,183,198	\$ 6,786,329,532	\$ 7,062,011,799
Federal Funds	5,611,652,174	6,380,422,351	6,689,973,732
Other Funds	4,955,245,494	4,910,674,287	5,068,477,661
Total	\$ 16,916,080,866	\$ 18,077,426,170	\$ 18,820,463,192
 <b>18 <u>Capital Improvements - Maintenance and Repair</u></b>			
General Revenue	\$ 40,646,243	\$ 37,147,542	\$ 46,652,542
Federal Funds	1,948,867	4,021,028	3,300,000
Other Funds	6,769,052	27,624,372	14,791,538
Total	\$ 49,364,162	\$ 68,792,942	\$ 64,744,080
 <b>19 <u>Capital Improvements - Construction</u></b>			
General Revenue	\$ 200,000	\$ 1,000	\$ 0
Federal Funds	825,000	75,854,169	38,925,484
Other Funds	27,589,333	64,840,138	32,237,216
Total	\$ 28,614,333	\$ 140,695,307	\$ 71,162,700
 <b>20 <u>Capital Improvements - Construction</u></b>			
General Revenue	\$ 0	\$ 0	\$ 0
Federal Funds	5,807,643	0	0
Other Funds	30,000,000	0	0
Total	\$ 35,807,643	\$ 0	\$ 0
 <b>21 <u>Capital Improvements - Construction</u></b>			
General Revenue	\$ 0	\$ 0	\$ 405,044
Federal Funds	0	0	1
Other Funds	0	0	2,000,000
Total	\$ 0	\$ 0	\$ 2,405,045
 <b><u>Total Capital Improvements Budget</u></b>			
General Revenue	\$ 40,846,243	\$ 37,148,542	\$ 47,057,586
Federal Funds	8,581,510	79,875,197	42,225,485
Other Funds	64,358,385	92,464,510	49,028,754
Total	\$ 113,786,138	\$ 209,488,249	\$ 138,311,825
 <b>GRAND TOTAL</b>			
General Revenue	\$ 6,390,029,441	\$ 6,823,478,074	\$ 7,109,069,385
Federal Funds	5,620,233,684	6,460,297,548	6,732,199,217
Other Funds	5,019,603,879	5,003,138,797	5,117,506,415
Total	\$ 17,029,867,004	\$ 18,286,914,419	\$ 18,958,775,017

FY 2003 expenditures do not include refunds of \$1,209,536,847, including \$1,166,287,471 general revenue.

FY 2004 appropriations do not include refunds of \$1,254,540,064, including \$1,201,960,640 general revenue.

FY 2005 Governor's recommendations do not include refunds of \$1,329,938,640, including \$1,286,760,640 general revenue.

## SUPPLEMENTAL RECOMMENDATIONS FISCAL YEAR 2004

	<u>GENERAL REVENUE</u>	<u>FEDERAL FUNDS</u>	<u>OTHER FUNDS</u>	<u>TOTAL</u>
Department of Elementary and Secondary Education	\$ 8,877,783	\$ 1,300,000	\$ 14,980,488	\$ 25,158,271
Department of Higher Education	45,830	0	500,000	545,830
Department of Transportation	1,063,602	0	0	1,063,602
Office of Administration	5,715,000	0	7,000	5,722,000
Department of Agriculture	2			2
Department of Economic Development	288,514	0	148,413	436,927
Department of Labor and Industrial Relations	0	42,673	1,500,000	1,542,673
Department of Public Safety	0	395,226	2,855,250	3,250,476
Department of Corrections	51,246	0	0	51,246
Department of Mental Health	1,538,800	0	0	1,538,800
Department of Health and Senior Services	0	1,670,719	37,383	1,708,102
Department of Social Services	20,259,276	105,361,250	81,900,000	207,520,526
Elected Officials	153,204	59,505	0	212,709
Judiciary	0	0	26,299	26,299
General Assembly	68,156	0	0	68,156
	<hr/>	<hr/>	<hr/>	<hr/>
<b>TOTAL HOUSE BILL 14</b>	\$ 38,061,413	\$ 108,829,373	\$ 101,954,833	\$ 248,845,619



# PUBLIC DEBT

## FINANCIAL SUMMARY

	FY 2003 EXPENDITURE	FY 2004 APPROPRIATION	FY 2005 REQUEST	GOVERNOR RECOMMENDS FY 2005
Administration	\$ 194,361	\$ 20,002 E	\$ 20,002 E	\$ 20,002 E
Fourth State Building Bonds	18,283,805	17,453,370	14,852,614	14,852,614
Water Pollution Control Bonds	14,800,112	33,054,470	35,872,598	35,872,598
Stormwater Control Bonds	2,948,691	3,182,135	3,176,510	3,176,510
Third State Building Bonds	8,429,247	50,830,780	50,120,563	50,120,563
TOTAL	\$ 44,656,216	\$ 104,540,757	\$ 104,042,287	\$ 104,042,287
General Revenue Fund	44,656,216	103,553,110	103,045,815	103,045,815
Water and Wastewater Loan Revolving Fund	0	987,647	996,472	996,472
Full-time equivalent employees	0.83	0.00	0.00	0.00

## POLICY SUMMARY

State of Missouri general obligation bond issues consistently have received the highest, "Triple A", ratings from Moody's Investors Service, Standard and Poor's Corporation, and Fitch Ratings. Missouri is one of only seven states that has this rating from all three rating organizations. The other states are Georgia, Utah, Virginia, Maryland, Delaware, and South Carolina. General obligation bonds can only be issued through voter-approved amendments to the state constitution. Currently outstanding general obligation bonds are for the four purposes identified below.

**Water Pollution Control Bonds:** Water pollution control bond proceeds help local governments construct wastewater and stormwater control facilities and improve public drinking water systems. These infrastructure improvements support local economic development, protect Missouri waterways from pollution, and help ensure safe drinking water supplies. As of December 2003, Missouri has issued, excluding refunding issuances, a total of \$544.5 million of the \$725 million authorized in water pollution control bonds. The Governor recommends a \$34.9 million general revenue transfer and a \$1 million water and wastewater revolving fund transfer to the water pollution control bond and interest fund, and \$28 million for principal and interest payments on water pollution control bonds currently outstanding. There will be no new water pollution control bond issuance in Fiscal Year 2005.

**Stormwater Control Bonds:** In November 1998, Missouri voters approved a separate stormwater control bond issue of \$200 million for stormwater control plans, studies, and projects. As of December 2003, Missouri has issued a total of \$45 million of the \$200 million authorized in stormwater control bonds. The Governor recommends a \$3.2 million general revenue transfer to the stormwater control bond and interest fund, and \$3.2 million for principal and interest payments on stormwater control bonds currently outstanding. There will be no stormwater control bond issuance in Fiscal Year 2005.

**Fourth State Building Bonds:** In August 1994, Missouri voters approved a fourth state building bond issue to provide essential prison capacity, new residential beds for juvenile offenders, and significant new higher education construction and renovation. The Governor recommends a \$14.9 million general revenue transfer to the fourth state building bond and interest fund, and \$17.5 million for principal and interest payments on fourth state building bonds currently outstanding. With the final \$50 million issuance on June 1, 1998, all \$250 million in fourth state building bonds authorized by Missouri voters were issued.

**Third State Building Bonds:** The Governor recommends a \$50.1 million general revenue transfer to the third state building bond interest and sinking fund, and \$46.5 million for principal and interest payments on third state building bonds currently outstanding. With the final \$75 million issuance on December 1, 1987, all \$600 million in third state building bonds authorized by Missouri voters in 1982 were issued.

## **PUBLIC DEBT**

### **ADMINISTRATION OF PUBLIC DEBT**

The Board of Fund Commissioners administers the general obligation bonded indebtedness of the state. The board is comprised of the following members pursuant to Section 33.300, RSMo: Governor, Lieutenant Governor, Attorney General, State Auditor, State Treasurer, and Commissioner of Administration. Administrative expenses are associated with the sale and processing of the state's general obligation bonds. The board directs the payment of principal and interest on state debt and processes the redemption and cancellation of state bonds. Each of the general obligation bonds issued by the state of Missouri is rated "Triple A" by Moody's Investors Service, Standard and Poor's Corporation, and Fitch Ratings. In addition, the Board of Fund Commissioners is obligated to repay to the United States Treasury excess interest earnings on water pollution control bonds, stormwater control bonds, third state building bonds, and fourth state building bonds. In Fiscal Year 2004 the Board of Fund Commissioners authorized the advanced refunding of two outstanding series of water pollution control and third state building bonds. Due to this refunding, the state will realize a savings of \$11.5 million over the life of the bonds.

#### **Fiscal Year 2005 Governor's Recommendations**

Continue funding at current level.

### **FOURTH STATE BUILDING BONDS DEBT SERVICE**

Missouri voters approved \$250 million in fourth state building bonds under the provisions of Article III, Section 37, Missouri Constitution to be used for capital improvement projects at state facilities and higher education institutions. Bond sales were authorized by the General Assembly in Fiscal Year 1995, and bonds were then sold on a cash-as-needed basis to meet scheduled construction timetables. With the final sale of \$50 million on June 1, 1998, all \$250 million in voter-approved bonds have been issued.

This appropriation provides for principal and interest payments on fourth state building bonds now outstanding. The money is transferred from general revenue to the fourth state building bond and interest fund one year in advance of its appropriation.

#### **Fiscal Year 2005 Governor's Recommendations**

- \$14,852,614 for the transfer of general revenue for debt service on fourth state building bonds currently outstanding.

# **PUBLIC DEBT**

## **SUMMARY OF FOURTH STATE BUILDINGS BOND ISSUANCES**

<u>Issuance</u>	<u>Final Maturity Fiscal Year</u>	<u>Principal Amount Issued</u>	<u>Principal Amount Repaid</u>	<u>Principal Amount Refunded</u>	<u>Principal Outstanding As of 1/1/04</u>
Series A 1995	Refunded	\$ 75,000,000	\$ 14,075,000	\$ 56,300,000	\$ 4,625,000
Series A 1996	Refunded	125,000,000	21,205,000	92,485,000	11,310,000
Series A 1998	2023	<u>50,000,000</u>	<u>6,195,000</u>	<u>0</u>	<u>43,805,000</u>
Subtotal Excluding Refunding Issues		\$ 250,000,000	\$ 41,475,000	\$ 148,785,000	\$ 59,740,000
Series A 2002 Refunding	2022	<u>154,840,000</u>	<u>0</u>	<u>0</u>	<u>154,840,000</u>
Total		\$ 404,840,000	\$ 41,475,000	\$ 148,785,000	\$ 214,580,000

## **FOURTH STATE BUILDINGS BONDS COMPOSITE SCHEDULE OF DEBT SERVICE REQUIREMENTS**

<u>FISCAL YEAR</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
1996	\$ 1,380,000.00	\$ 4,311,020.00	\$ 5,691,020.00
1997	1,480,000.00	7,773,776.25	9,253,776.25
1998	4,260,000.00	11,177,882.50	15,437,882.50
1999	5,625,000.00	13,406,382.50	19,031,382.50
2000	5,900,000.00	13,077,082.50	18,977,082.50
2001	6,160,000.00	12,716,357.50	18,876,357.50
2002	6,470,000.00	12,339,770.00	18,809,770.00
2003	6,765,000.00	11,156,394.27	17,921,394.27
2004	7,080,000.00	10,498,993.76	17,578,993.76
2005	7,410,000.00	10,043,368.76	17,453,368.76
2006	5,270,000.00	9,582,612.52	14,852,612.52
2007	6,990,000.00	9,245,512.52	16,235,512.52
2008	9,415,000.00	8,863,000.02	18,278,000.02
2009	9,840,000.00	8,433,845.02	18,273,845.02
2010	10,325,000.00	7,931,595.02	18,256,595.02
2011	10,835,000.00	7,413,520.02	18,248,520.02
2012	11,365,000.00	6,868,105.02	18,233,105.02
2013	11,930,000.00	6,295,417.52	18,225,417.52
2014	12,440,000.00	5,778,449.39	18,218,449.39
2015	12,965,000.00	5,234,833.76	18,199,833.76
2016	13,620,000.00	4,577,448.76	18,197,448.76
2017	14,310,000.00	3,885,731.26	18,195,731.26
2018	15,050,000.00	3,157,950.00	18,207,950.00
2019	15,825,000.00	2,389,325.00	18,214,325.00
2020	16,565,000.00	1,642,887.50	18,207,887.50
2021	11,470,000.00	1,051,625.00	12,521,625.00
2022	11,990,000.00	522,675.00	12,512,675.00
2023	<u>3,320,000.00</u>	<u>166,000.00</u>	<u>3,486,000.00</u>
TOTAL	\$ 256,055,000.00	\$ 199,541,561.37	\$ 455,596,561.37

## PUBLIC DEBT

### WATER POLLUTION CONTROL BONDS DEBT SERVICE

Missouri voters have authorized the state to sell \$725 million in water pollution control bonds under the provisions of Article III, Section 37, Missouri Constitution. Increments of bonds are then authorized by the General Assembly and issued on a cash-as-needed basis to fund wastewater treatment projects approved by the Missouri Clean Water Commission. Currently, \$544.5 million in bonds, excluding refunding issuances, have been issued. General revenue is transferred to the water pollution control bond and interest fund one year in advance of its appropriation for principal and interest payments.

#### Fiscal Year 2005 Governor's Recommendations

- \$35,872,598 for the transfer of funds for debt service on water pollution control bonds currently outstanding, including \$34,876,126 general revenue.

### SUMMARY OF WATER POLLUTION CONTROL BOND ISSUANCES

<u>Issuance</u>	<u>Final Maturity Fiscal Year</u>	<u>Principal Amount Issued</u>	<u>Principal Amount Repaid</u>	<u>Principal Amount Refunded</u>	<u>Principal Outstanding As of 1/1/04</u>
Series A 1972	1997	\$ 20,000,000	\$ 20,000,000	\$ 0	\$ 0
Series A 1974	1999	8,000,000	8,000,000	0	0
Series B 1974	1995	15,000,000	15,000,000	0	0
Series A 1977	1997	31,494,240	31,494,240	0	0
Series A 1981	Refunded	20,000,000	3,060,000	16,940,000	0
Series A 1983	Refunded	20,000,000	3,585,000	16,415,000	0
Series B 1983	Refunded	10,000,000	375,000	9,625,000	0
Series A 1985	Refunded	20,000,000	425,000	19,575,000	0
Series A 1986	Refunded	60,000,000	13,600,000	46,400,000	0
Series B 1987	Refunded	35,000,000	4,305,000	30,695,000	0
Series A 1989	Refunded	35,000,000	7,720,000	27,280,000	0
Series A 1991	Refunded	35,000,000	7,650,000	27,350,000	0
Series A 1992	Refunded	35,000,000	8,440,000	26,560,000	0
Series A 1993	Refunded	30,000,000	7,650,000	22,350,000	0
Series A 1995	Refunded	30,000,000	5,630,000	22,520,000	1,850,000
Series A 1996	Refunded	35,000,000	5,935,000	25,900,000	3,165,000
Series A 1998	2023	35,000,000	4,340,000	0	30,660,000
Series A 1999	2025	20,000,000	1,885,000	0	18,115,000
Series A 2001	2026	20,000,000	955,000	0	19,045,000
Series A 2002	2028	30,000,000	695,000	0	29,305,000
Totals Excluding Refunding Issuances		\$ 544,494,240	\$ 150,744,240	\$ 291,610,000	\$ 102,140,000
Series A 1987 Refunding	Refunded	49,715,000	16,475,000	33,240,000	0
Series B 1991 Refunding	Refunded	17,435,000	6,080,000	11,355,000	0
Series C 1991 Refunding	Refunded	33,575,000	11,700,000	21,875,000	0
Series B 1992 Refunding	Refunded	50,435,000	16,840,000	33,595,000	0
Series B 1993 Refunding	Refunded	109,415,000	32,875,000	76,540,000	0
Series B 2002 Refunding	2022	147,710,000	0	0	147,710,000
Series B 2003 Refunding	2017	74,655,000	0	0	74,655,000
Totals Including Refunding Issuances		\$ 1,027,434,240	\$ 234,714,240	\$ 468,215,000	\$ 324,505,000

**PUBLIC DEBT**

**WATER POLLUTION CONTROL BONDS  
COMPOSITE SCHEDULE OF DEBT SERVICE REQUIREMENTS**

<u>FISCAL YEAR</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
1973	\$ 570,000.00	\$ 930,188.68	\$ 1,500,188.68
1974	485,000.00	986,240.00	1,471,240.00
1975	705,000.00	1,751,569.56	2,456,569.56
1976	1,105,000.00	2,145,455.00	3,250,455.00
1977	1,160,000.00	2,080,357.50	3,240,357.50
1978	2,129,240.00	3,259,522.70	5,388,762.70
1979	2,240,000.00	3,405,992.50	5,645,992.50
1980	2,355,000.00	3,278,505.00	5,633,505.00
1981	2,475,000.00	3,146,440.00	5,621,440.00
1982	3,135,000.00	4,730,807.06	7,865,807.06
1983	3,165,000.00	4,694,670.00	7,859,670.00
1984	3,580,000.00	6,591,015.00	10,171,015.00
1985	3,915,000.00	6,805,965.00	10,720,965.00
1986	4,325,000.00	8,378,860.00	12,703,860.00
1987	4,650,000.00	10,567,758.28	15,217,758.28
1988	4,840,000.00	11,131,392.44	15,971,392.44
1989	6,805,000.00	13,815,388.63	20,620,388.63
1990	7,225,000.00	14,573,892.38	21,798,892.38
1991	8,240,000.00	15,275,401.13	23,515,401.13
1992	8,770,000.00	14,529,565.51	23,299,565.51
1993	10,110,000.00	16,610,720.57	26,720,720.57
1994	11,540,000.00	15,670,014.33	27,210,014.33
1995	13,690,000.00	16,312,826.27	30,002,826.27
1996	13,880,000.00	17,131,521.28	31,011,521.28
1997	14,790,000.00	17,175,506.28	31,965,506.28
1998	12,605,000.00	17,258,681.28	29,863,681.28
1999	14,210,000.00	18,152,123.78	32,362,123.78
2000	14,525,000.00	17,798,035.65	32,323,035.65
2001	15,690,000.00	17,488,317.53	33,178,317.53
2002	16,375,000.00	17,663,053.78	34,038,053.78
2003	15,325,000.00	15,878,275.62	31,203,275.62
2004	12,470,000.00	15,001,903.93	27,471,903.93
2005	13,075,000.00	14,905,332.54	27,980,332.54
2006	21,820,000.00	14,052,595.04	35,872,595.04
2007	22,915,000.00	12,994,631.29	35,909,631.29
2008	24,480,000.00	11,896,627.54	36,376,627.54
2009	23,590,000.00	10,785,668.16	34,375,668.16
2010	22,540,000.00	9,631,468.16	32,171,468.16
2011	21,825,000.00	8,529,683.79	30,354,683.79
2012	17,540,000.00	7,614,618.16	25,154,618.16
2013	18,355,000.00	6,830,002.52	25,185,002.52
2014	16,080,000.00	6,125,128.77	22,205,128.77
2015	16,775,000.00	5,447,490.02	22,222,490.02
2016	14,645,000.00	4,721,831.27	19,366,831.27
2017	15,380,000.00	4,003,725.64	19,383,725.64
2018	13,625,000.00	3,295,678.76	16,920,678.76
2019	11,570,000.00	2,674,385.01	14,244,385.01
2020	9,885,000.00	2,165,548.76	12,050,548.76
2021	8,020,000.00	1,762,818.76	9,782,818.76
2022	8,400,000.00	1,371,940.63	9,771,940.63
2023	6,235,000.00	1,014,225.00	7,249,225.00
2024	4,105,000.00	695,668.75	4,800,668.75
2025	4,320,000.00	484,062.50	4,804,062.50
2026	3,110,000.00	300,893.75	3,410,893.75
2027	1,875,000.00	145,375.00	2,020,375.00
2028	1,970,000.00	49,250.00	2,019,250.00
<b>TOTAL</b>	<b>\$ 559,219,240.00</b>	<b>\$ 465,718,616.49</b>	<b>\$ 1,024,937,856.49</b>

Total principal includes refunding excess of \$14,725,000, which does not count toward the \$725 million constitutional authorization.

## PUBLIC DEBT

### STORMWATER CONTROL BONDS BUDGET YEAR ISSUANCE

Missouri voters have authorized the state to sell \$200 million in stormwater control bonds under the provisions of Article III, Section 37, Missouri Constitution. This appropriation provides principal and interest on stormwater control bonds to be authorized by the General Assembly. Currently, \$45 million in bonds have been issued. General revenue is transferred to the stormwater control bond and interest fund one year in advance of its appropriation for payment of principal and interest.

#### Fiscal Year 2005 Governor's Recommendations

- \$3,176,510 for the transfer of general revenue for debt service on stormwater control bonds currently outstanding.

### SUMMARY OF STORMWATER CONTROL BOND ISSUANCES

<u>Issuance</u>	<u>Final Maturity Fiscal Year</u>	<u>Principal Amount Issued</u>	<u>Principal Amount Repaid</u>	<u>Principal Amount Refunded</u>	<u>Principal Outstanding As of 1/1/04</u>
Series A 1999	2025	\$ 20,000,000	\$ 1,885,000	\$ 0	\$ 18,115,000
Series A 2001	2026	10,000,000	480,000	0	9,520,000
Series A 2002	2028	<u>15,000,000</u>	<u>345,000</u>	<u>0</u>	<u>14,655,000</u>
TOTAL		\$ 45,000,000	\$ 2,710,000	\$ 0	\$ 42,290,000

### STORMWATER CONTROL BONDS COMPOSITE SCHEDULE OF DEBT SERVICE REQUIREMENTS

<u>FISCAL YEAR</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
2000	\$ 0.00	\$ 541,461.88	\$ 541,461.88
2001	445,000.00	1,070,352.51	1,515,352.51
2002	695,000.00	1,535,101.26	2,230,101.26
2003	725,000.00	1,820,680.01	2,545,680.01
2004	1,095,000.00	2,093,433.76	3,188,433.76
2005	1,145,000.00	2,037,133.76	3,182,133.76
2006	1,190,000.00	1,986,508.76	3,176,508.76
2007	1,245,000.00	1,938,526.26	3,183,526.26
2008	1,295,000.00	1,887,022.51	3,182,022.51
2009	1,345,000.00	1,829,991.88	3,174,991.88
2010	1,405,000.00	1,758,241.88	3,163,241.88
2011	1,460,000.00	1,685,507.51	3,145,507.51
2012	1,520,000.00	1,618,090.64	3,138,090.64
2013	1,590,000.00	1,547,425.02	3,137,425.02
2014	1,665,000.00	1,471,560.02	3,136,560.02
2015	1,745,000.00	1,391,365.02	3,136,365.02
2016	1,825,000.00	1,305,925.02	3,130,925.02
2017	1,915,000.00	1,212,319.39	3,127,319.39
2018	2,010,000.00	1,112,778.76	3,122,778.76
2019	2,110,000.00	1,010,816.26	3,120,816.26
2020	2,220,000.00	903,061.26	3,123,061.26
2021	2,330,000.00	788,631.26	3,118,631.26
2022	2,445,000.00	667,321.88	3,112,321.88
2023	2,565,000.00	538,581.25	3,103,581.25
2024	2,700,000.00	402,912.50	3,102,912.50
2025	2,840,000.00	260,612.50	3,100,612.50
2026	1,555,000.00	150,387.50	1,705,387.50
2027	935,000.00	72,625.00	1,007,625.00
2028	<u>985,000.00</u>	<u>24,625.00</u>	<u>1,009,625.00</u>
TOTAL	\$ 45,000,000.00	\$ 34,663,000.26	\$ 79,663,000.26

## PUBLIC DEBT

### THIRD STATE BUILDING BONDS DEBT SERVICE

Missouri voters approved \$600 million in third state building bonds to be used for capital improvement projects at state facilities and for specific types of local economic development projects under Article III, Section 37, Missouri Constitution. The General Assembly authorized issuance of \$75 million for Fiscal Year 1983, \$50 million for Fiscal Year 1984, \$75 million for Fiscal Year 1985, and \$400 million for Fiscal Year 1986. Bonds were then sold on a cash-as-needed basis to meet scheduled construction timetables. With the final sale of \$75 million on December 1, 1987, all \$600 million in voter-approved bonds have been issued.

This appropriation provides for principal and interest payments on third state building bonds now outstanding. The money is transferred from general revenue to the third state building bond interest and sinking fund one year in advance of its appropriation.

#### Fiscal Year 2005 Governor's Recommendations

- \$50,120,563 for the transfer of general revenue for debt service on third state building bonds currently outstanding.

### SUMMARY OF THIRD STATE BUILDING BOND ISSUANCES

<u>Issuance</u>	<u>Final Maturity Fiscal Year</u>	<u>Principal Amount Issued</u>	<u>Principal Amount Repaid</u>	<u>Principal Amount Refunded</u>	<u>Principal Outstanding As of 1/1/04</u>
Series A 1983	Refunded	\$ 40,000,000	\$ 7,165,000	\$ 32,835,000	\$ 0
Series B 1983	Refunded	35,000,000	1,325,000	33,675,000	0
Series A 1984	Refunded	50,000,000	1,870,000	48,130,000	0
Series A 1985	Refunded	75,000,000	1,625,000	73,375,000	0
Series A 1986	Refunded	325,000,000	73,645,000	251,355,000	0
Series B 1987	Refunded	<u>75,000,000</u>	<u>9,220,000</u>	<u>65,780,000</u>	<u>0</u>
Totals Excluding Refunding Issuances		\$ 600,000,000	\$ 94,850,000	\$ 505,150,000	\$ 0
Series A 1987 Refunding	Refunded	170,115,000	56,390,000	113,725,000	0
Series A 1991 Refunding	Refunded	34,870,000	11,935,000	22,935,000	0
Series B 1991 Refunding	Refunded	71,955,000	24,635,000	47,320,000	0
Series A 1992 Refunding	Refunded	273,205,000	92,035,000	181,170,000	0
Series A 1993 Refunding	Refunded	148,480,000	69,100,000	79,380,000	-
Series A 2002 Refunding	2013	211,630,000	7,275,000	0	204,355,000
Series A 2003 Refunding	2013	<u>75,650,000</u>	<u>0</u>	<u>0</u>	<u>75,650,000</u>
Totals Including Refunding Issuances		\$ 1,585,905,000	\$ 356,220,000	\$ 949,680,000	\$ 280,005,000

**PUBLIC DEBT**

**THIRD STATE BUILDING BONDS  
COMPOSITE SCHEDULE OF DEBT SERVICE REQUIREMENTS**

<u>FISCAL YEAR</u>		<u>PRINCIPAL</u>		<u>INTEREST</u>		<u>TOTAL</u>
1984	\$	470,000.00	\$	4,842,987.50	\$	5,312,987.50
1985		1,490,000.00		11,034,230.00		12,524,230.00
1986		2,270,000.00		17,725,712.50		19,995,712.50
1987		2,745,000.00		30,902,276.22		33,647,276.22
1988		5,865,000.00		36,209,164.83		42,074,164.83
1989		11,430,000.00		44,179,397.16		55,609,397.16
1990		12,280,000.00		43,153,872.16		55,433,872.16
1991		13,235,000.00		42,050,290.91		55,285,290.91
1992		14,230,000.00		37,998,667.16		52,228,667.16
1993		15,755,000.00		36,585,883.33		52,340,883.33
1994		17,280,000.00		32,547,322.96		49,827,322.96
1995		20,000,000.00		30,798,942.51		50,798,942.51
1996		21,550,000.00		29,172,938.76		50,722,938.76
1997		23,175,000.00		27,523,861.26		50,698,861.26
1998		23,985,000.00		25,883,931.26		49,868,931.26
1999		28,305,000.00		24,158,196.88		52,463,196.88
2000		30,345,000.00		22,248,060.00		52,593,060.00
2001		31,485,000.00		20,471,257.50		51,956,257.50
2002		31,615,000.00		18,933,312.50		50,548,312.50
2003		29,340,000.00		14,477,728.61		43,817,728.61
2004		19,370,000.00		13,017,349.86		32,387,349.86
2005		33,930,000.00		12,602,912.50		46,532,912.50
2006		39,195,000.00		10,925,562.50		50,120,562.50
2007		41,535,000.00		8,974,287.50		50,509,287.50
2008		44,015,000.00		6,981,862.50		50,996,862.50
2009		41,925,000.00		4,979,687.50		46,904,687.50
2010		36,615,000.00		3,016,187.50		39,631,187.50
2011		32,115,000.00		1,297,937.50		33,412,937.50
2012		5,185,000.00		375,631.25		5,560,631.25
2013		5,490,000.00		128,100.00		5,618,100.00
TOTAL	\$	636,225,000.00	\$	613,197,552.62	\$	1,249,422,552.62

Total principal includes refunding excess of \$36,225,000 which does not count toward the \$600 million constitutional authorization.



# FRINGE BENEFITS

## FINANCIAL SUMMARY

	FY 2003 EXPENDITURE	FY 2004 APPROPRIATION	FY 2005 REQUEST	GOVERNOR RECOMMENDS FY 2005
Missouri Consolidated Health Care Plan	\$ 254,629,448	\$ 277,184,536	\$ 336,790,154	\$ 331,106,497
Missouri State Employees' Retirement System	166,837,813	185,870,771	185,870,771	209,112,071
OASDHI Taxes	137,344,588	146,094,946	146,094,946	148,048,400
Deferred Compensation	11,517,078	12,370,314	12,370,314	12,370,314
Workers Compensation	17,904,922	18,390,000	18,390,000	18,390,000
Teacher Retirement Contributions	2,728,440	3,580,060	3,580,060	3,580,060
Unemployment Benefits	4,867,225	3,902,701	3,902,701	3,902,701
Other Employer Disbursements	7,573,296	5,594,437	5,594,437	5,594,437
<b>TOTAL</b>	<b>\$ 603,402,810</b>	<b>\$ 652,987,765</b>	<b>\$ 712,593,383</b>	<b>\$ 732,104,480</b>
General Revenue Fund	398,562,945	415,478,524	460,449,228	453,008,926
Federal Funds	103,166,248	120,621,393	129,359,153	141,341,400
Other Funds	101,673,617	116,887,848	122,785,002	137,754,154

## POLICY SUMMARY

Governor Holden's budget for Fiscal Year 2005 provides a total of \$732.1 million for employee benefits. Employment benefits are centralized for all state agencies with the exception of retirement and health care benefits for the Highway Patrol and the Missouri Department of Transportation and health insurance for the Department of Conservation. Employee benefits include:

- Retirement
- Health insurance
- Life and long-term disability insurance
- Social security
- Workers' compensation
- Unemployment benefits
- Deferred compensation
- Job-related legal expenses

### Missouri Consolidated Health Care Plan (MCHCP)

Medical insurance costs have grown at an average of 15 to 20 percent per year for the past few years. The average amounts that employees pay are increasing at a higher rate than their salaries. But even as individuals see double-digit increases in their health insurance costs, employers are experiencing even larger average increases.

As health care costs skyrocket nationwide, more and more employers are requiring employees to contribute to medical insurance coverage. In many cases, those companies that continue to pay employee premiums have been forced to cut benefits. While this trend has forced many employers to push a bigger percentage of the cost onto employees, the state of Missouri has consistently funded at least 75 percent of the overall cost of employee health care. Since Governor Holden took office, he has approved over \$100 million, including nearly \$70 million general revenue, in increased funding for MCHCP to hold down costs to state employees and their families.

MCHCP provides pharmacy benefits to most state employees, retirees, and their dependents, covering more than 100,000 lives. Pharmacy benefit inflation is a significant driver of health care costs for MCHCP and for employee benefit plans in general. With national inflation rates of 19 percent and 16 percent for 2002 and 2003 respectively, the MCHCP has stayed below the trend by making significant changes in the management and structure of the pharmacy benefits:

- Pharmacy benefits were carved out from six health plans and MCHCP entered into a single contract with Express Scripts to consolidate benefit management for all state members.
- A uniform, three-tiered co-payment structure was created – \$10 generic, \$25 preferred brand, \$40 non-preferred brand.
- A "mandatory generic" program was instituted. When an equivalent generic is available, the member must substitute the generic brand or pay the actual cost difference.
- Manufacturer rebates were returned to the MCHCP rather than to the health plans. This produced a net seven percent savings to the program.
- Since 2001, the MCHCP has participated as a charter member of a seven-state joint purchasing workgroup, referred to as Rx Issuing State (RxIS), to assist in containing pharmacy costs.

## FRINGE BENEFITS

### POLICY SUMMARY (Continued)

To continue providing health insurance for state employees and retirees, the Governor recommends:

- \$44.5 million for continuing benefits for calendar year 2004 and expected increases for the first half of calendar year 2005, including \$29 million general revenue.
- \$5.6 million to implement SB 248 (2003), which increased the state's contribution for health care for certain early retirees, including \$3.7 million general revenue.
- \$3.9 million to increase the state subsidy for the employee/spouse and employee/family categories to 83%, including \$2.5 million general revenue.

### **Missouri State Employees' Retirement System (MOSERS)**

MOSERS was established September 1, 1957, to provide retirement, survivor and disability benefits, and life insurance benefits to its members. MOSERS administers retirement benefits for most state employees, including members of the General Assembly, elected state officials, administrative law judges, legal advisors, and judges. MOSERS is responsible for administering the law in accordance with the expressed intent of the Missouri General Assembly and bears a fiduciary obligation to the state employees who are its members and beneficiaries.

As of June 30, 2003, MOSERS was one of the 200 largest defined benefit plans in the United States with total assets of just over \$5 billion. According to the Independent Consultants Cooperative (ICC), the fund generated a return of seven percent net of expenses for the year, placing MOSERS' investment return in the top nine percent among public pension funds with assets in excess of \$1 billion. This return also compares favorably to the return that could have been achieved by investing passively in the market (otherwise known as the "policy benchmark"). Effective implementation of the new investment strategy added one percent to the total return. Over the three years ended June 30, 2003, the MOSERS' investment portfolio returned negative six tenths of a percent, slightly negative on an absolute basis, but remarkable when compared to returns experienced by broad equity markets of negative 10.5 percent. Because the MOSERS' Board pursued a more diverse investment strategy, MOSERS has been able to generate a return of four percent per annum in excess of the return of the policy benchmark. In real dollars, these results have produced well over \$600 million for the fund that would not have been earned had the new investment strategy not been implemented.

To continue providing retirement benefits, the Governor recommends:

- \$21.2 million to increase the contribution rate as a percentage of payroll from 9.35 percent to 10.64 percent, including \$13 million general revenue.
- \$5.7 million for increased costs to the state for retirement benefits due to pay plan, including \$3.9 million general revenue.

## **FRINGE BENEFITS**

### **MISSOURI CONSOLIDATED HEALTH CARE PLAN**

The Missouri Consolidated Health Care Plan administers health care benefits for state employees. In 1995, municipalities and other public entities were allowed to join the Missouri Consolidated Health Care Plan as well, building a larger pool of members and greater bargaining power for lower cost medical services.

#### **Fiscal Year 2005 Governor's Recommendations**

- \$44,506,464 to continue benefits for calendar year 2004 and expected increases for the first half of calendar year 2005, including \$28,953,885 general revenue.
- \$11,315,617 federal and other funds to allocate the cost of retiree health care.
- \$5,616,373 to implement SB 248 (2003), which increased the state's contribution for health care for certain retirees, including \$3,653,759 general revenue.
- \$3,880,712 to increase the state subsidy for the employee/spouse and employee/family categories to 83 percent, including \$2,524,609 general revenue.
- \$2,716,000 for new staff statewide, including \$933,000 general revenue.
- (\$11,315,617) core reduction from the Fiscal Year 2004 appropriation level due to the allocation of retiree health care costs.
- (\$2,797,588) core reduction from the Fiscal Year 2004 appropriation level.

### **CONTRIBUTION TO MISSOURI STATE EMPLOYEES' RETIREMENT SYSTEM**

The state of Missouri provides a fully funded retirement program for employees through a contribution of a specified percentage of members' wages to the Missouri State Employees' Retirement System. Included in the state's contribution is a payment per month per eligible employee to the Missouri State Employees' Benefit Plan and a payment of long-term disability premiums.

#### **Fiscal Year 2005 Governor's Recommendation**

- \$21,167,500 to increase the state contribution rate as a percentage of payroll from 9.35 percent to 10.64 percent, including \$12,955,600 general revenue.
- \$5,668,700 for increased costs to the state for retirement benefits due to pay plan, including \$3,888,900 general revenue.
- \$1,669,000 for new staff statewide, including \$532,000 general revenue.
- (\$5,263,900) core reduction from the Fiscal Year 2004 appropriation level, including (\$2,634,800) general revenue.

### **CONTRIBUTION TO OASDHI TAXES**

The state of Missouri pays the employer's share of federal Old Age and Survivors Disability and Health Insurance contributions on the salaries of all state employees, with the exception of employees of the state universities and four-year colleges. These funds are transferred to a contribution fund for matching payments to the Social Security Administration.

#### **Fiscal Year 2005 Governor's Recommendations**

- \$4,032,200 for increased costs to the state for social security benefits due to pay plan, including \$2,308,600 general revenue.
- \$1,233,600 for new staff statewide, including \$308,000 general revenue.
- (\$3,312,346) core reduction from the Fiscal Year 2004 appropriation level, including (\$1,779,946) general revenue.

### **DEFERRED COMPENSATION PROGRAM**

The Missouri State Public Employees Deferred Compensation Commission, as established by Sections 105.900 to 105.925, RSMo, provides indirect compensation to state employees in the form of tax-deferred income. Section 105.927 allows the state to credit \$25.00 per month to qualified participants in the plan. The monies transferred must be paid to the various deferred compensation plans. Matching payments were made available as of January 1, 1996.

#### **Fiscal Year 2005 Governor's Recommendations**

Continue funding at the current level.

## **FRINGE BENEFITS**

### **WORKERS COMPENSATION**

The state of Missouri is responsible for payment of workers' compensation benefits to injured state employees in accordance with Chapter 287, RSMo. The payment of workers' compensation benefits for all state employees, excluding the Department of Transportation, the Missouri State Highway Patrol, and the University of Missouri system, is covered under this program and is administered by the Office of Administration's Division of General Services. Payments made by general revenue on behalf of employees paid from other funding sources are transferred from these funds back to general revenue. As a workers' compensation self-insurer, the state pays its workers' compensation tax and second injury fund assessments based on billings received from the Department of Revenue and the Division of Workers' Compensation.

#### **Fiscal Year 2005 Governor's Recommendations**

Continue funding at the current level.

### **TEACHER RETIREMENT CONTRIBUTIONS**

Section 104.342, RSMo, has been revised to provide that the Commissioner of Administration shall requisition monthly and certify the payment of contributions to the Public School Retirement System (PSRS). Authority to transfer and expend these monies is required to comply with statutory provisions. Certified teachers involved are employed by the Department of Elementary and Secondary Education and remain members of the PSRS.

#### **Fiscal Year 2005 Governor's Recommendations**

Continue funding at the current level.

### **DISBURSEMENT FOR UNEMPLOYMENT BENEFITS**

The state of Missouri, as a governmental entity, is required to pay contributions to the Division of Employment Security as specified by law so that unemployment claims may be paid to former employees. A governmental entity may elect to either pay contributions in advance based on a statutory formula or to reimburse the Division of Employment Security for actual claims paid out to former employees. The state of Missouri utilizes the reimbursement for actual claims paid option. By using this deferred method of payment and one central appropriation, the state simplifies the administration of unemployment benefits.

#### **Fiscal Year 2005 Governor's Recommendations**

Continue funding at the current level.

### **OTHER EMPLOYER DISBURSEMENTS**

#### **VOLUNTARY LIFE INSURANCE**

State employees may opt to withhold funds for voluntary life insurance. This appropriation provides expenditure authority to distribute the monies withheld to the various life insurance companies as designated by the employees.

#### **Fiscal Year 2005 Governor's Recommendations**

Continue funding at the current level.

#### **CAFETERIA PLAN TRANSFER**

The state offers a tax reduction plan for state employees. The federal government requires the state to provide a sufficient balance in the medical expenses category for timely reimbursements to plan participants.

#### **Fiscal Year 2005 Governor's Recommendations**

Continue funding at the current level.

## **FRINGE BENEFITS**

### **OTHER EMPLOYER DISBURSEMENTS (Continued)**

#### **HUMAN RESOURCES CONTINGENCY FUND TRANSFER**

This transfer section has been added to ensure that payroll checks submitted for payment against accounts with temporary allotment or fund cash flow problems can be generated within the time constraints of pay period processing.

#### **Fiscal Year 2005 Governor's Recommendations**

Continue funding at the current level.

#### **LEGAL EXPENSE FUND**

The state of Missouri, its agencies, officials, appointees, and employees are exposed to liability in the conduct of official state business. The Office of Administration, in association with the Attorney General's Office, seeks to provide a means to fund claims and judgments against these individuals and agencies in the most cost effective manner possible. The State Legal Expense Fund was created to pay claims against the state, its officers, and employees as provided under Section 105.711, RSMo.

#### **Fiscal Year 2005 Governor's Recommendations**

Continue funding at the current level.

# SUPPLEMENTAL APPROPRIATIONS

The Governor's recommendations for Fiscal Year 2004 Supplemental Appropriations include \$38,061,413 general revenue, \$108,829,373 federal funds, and \$101,954,833 other funds, for a total of \$248,845,619.

## DEPARTMENT OF ELEMENTARY AND SECONDARY EDUCATION DIVISION OF SPECIAL EDUCATION FOUNDATION – EARLY CHILDHOOD SPECIAL EDUCATION

H.B. Sec. 14.005	GOVERNOR'S ORIGINAL RECOMMENDATION	ORIGINAL APPROPRIATION	CURRENT REQUEST	GOVERNOR RECOMMENDS
PROGRAM SPECIFIC DISTRIBUTION				
State School Moneys Fund	\$ 74,813,887	\$ 74,813,887	\$ 0	\$ 0
Lottery Proceeds Fund	6,460,897	6,460,897	14,980,488	14,980,488
TOTAL	\$ 81,274,784	\$ 81,274,784	\$ 14,980,488	\$ 14,980,488

The Governor recommends \$14,980,488 to provide special education services for children with disabilities ages three through five.

## DEPARTMENT OF ELEMENTARY AND SECONDARY EDUCATION DIVISION OF SPECIAL EDUCATION FOUNDATION – STATE BOARD OPERATED SCHOOLS

H.B. Sec. 14.010	GOVERNOR'S ORIGINAL RECOMMENDATION	ORIGINAL APPROPRIATION	CURRENT REQUEST	GOVERNOR RECOMMENDS
EXPENSE AND EQUIPMENT				
General Revenue Fund	\$ 14,477,333	\$ 13,748,110	\$ 1,004,000	\$ 1,004,000
Federal Funds	1,527,581	1,527,581	1,000,000	1,000,000
TOTAL	\$ 16,004,914	\$ 15,275,691	\$ 2,004,000	\$ 2,004,000

The Governor recommends \$2,004,000 to ensure the State Board Operated Schools are able to expend all available federal funds and make payments for prior year expenditures that carried over into Fiscal Year 2004.

## DEPARTMENT OF ELEMENTARY AND SECONDARY EDUCATION DIVISION OF SPECIAL EDUCATION SPECIAL EDUCATION OPERATIONS

H.B. Sec. 14.015	GOVERNOR'S ORIGINAL RECOMMENDATION	ORIGINAL APPROPRIATION	CURRENT REQUEST	GOVERNOR RECOMMENDS
PERSONAL SERVICE				
General Revenue Fund	\$ 660,172	\$ 169,591	\$ 10,135	\$ 10,135

The Governor recommends \$10,135 for administrative support for the state's Sheltered Workshop Program.

## DEPARTMENT OF ELEMENTARY AND SECONDARY EDUCATION DIVISION OF SCHOOL IMPROVEMENT TITLE VI, PART B

H.B. Sec. 14.020	GOVERNOR'S ORIGINAL RECOMMENDATION	ORIGINAL APPROPRIATION	CURRENT REQUEST	GOVERNOR RECOMMENDS
PROGRAM SPECIFIC DISTRIBUTION				
Federal Funds	\$ 2,100,000	\$ 2,100,000	\$ 300,000	\$ 300,000

The Governor recommends \$300,000 to distribute available federal grants for rural and low-income school districts.

**SUPPLEMENTAL APPROPRIATIONS  
DEPARTMENT OF ELEMENTARY AND SECONDARY EDUCATION  
DIVISION OF SPECIAL EDUCATION  
FIRST STEPS**

H.B. Sec. 14.025	GOVERNOR'S ORIGINAL RECOMMENDATION	ORIGINAL APPROPRIATION	CURRENT REQUEST	GOVERNOR RECOMMENDS
PROGRAM SPECIFIC DISTRIBUTION				
General Revenue Fund	\$ 3,549,846	\$ 3,017,369	\$ 7,863,648	\$ 7,863,648
Federal Funds	10,506,837	10,506,837	0	0
Early Childhood Development, Education and Care Fund	5,286,042	5,286,042	0	0
TOTAL	\$ 19,342,725	\$ 18,810,248	\$ 7,863,648	\$ 7,863,648

The Governor recommends \$7,863,648 to accommodate increased costs per eligible child and an increase in the number of children being served.

**DEPARTMENT OF HIGHER EDUCATION  
PUBLIC SERVICE OFFICER OR EMPLOYEE SURVIVOR GRANT PROGRAM**

H.B. Sec. 14.030	GOVERNOR'S ORIGINAL RECOMMENDATION	ORIGINAL APPROPRIATION	CURRENT REQUEST	GOVERNOR RECOMMENDS
PROGRAM SPECIFIC DISTRIBUTION				
General Revenue Fund	\$ 45,000	\$ 38,250	\$ 22,460	\$ 22,460

The Governor recommends \$22,460 to continue full funding for this program.

**DEPARTMENT OF HIGHER EDUCATION  
VIETNAM VETERANS SURVIVORS SCHOLARSHIP PROGRAM**

H.B. Sec. 14.035	GOVERNOR'S ORIGINAL RECOMMENDATION	ORIGINAL APPROPRIATION	CURRENT REQUEST	GOVERNOR RECOMMENDS
PROGRAM SPECIFIC DISTRIBUTION				
General Revenue Fund	\$ 12,000	\$ 10,200	\$ 23,370	\$ 23,370

The Governor recommends \$23,370 to continue full funding for this program.

**DEPARTMENT OF HIGHER EDUCATION  
MISSOURI GUARANTEED STUDENT LOAN PROGRAM**

H.B. Sec. 14.040	GOVERNOR'S ORIGINAL RECOMMENDATION	ORIGINAL APPROPRIATION	CURRENT REQUEST	GOVERNOR RECOMMENDS
EXPENSE AND EQUIPMENT				
Guaranty Agency Operating Fund	\$ 8,167,406	\$ 8,167,406	\$ 500,000	\$ 500,000

The Governor recommends \$500,000 for costs associated with the transition of the state's guaranty agency service provider.

**SUPPLEMENTAL APPROPRIATIONS  
DEPARTMENT OF TRANSPORTATION  
RAIL PROGRAM**

H.B. Sec. 14.045	GOVERNOR'S ORIGINAL RECOMMENDATION	ORIGINAL APPROPRIATION	CURRENT REQUEST	GOVERNOR RECOMMENDS
PROGRAM SPECIFIC DISTRIBUTION				
General Revenue Fund	\$ 7,375,000	\$ 3,500,000	\$ 1,063,602	\$ 1,063,602
State Transportation Fund	1,525,000	1,500,000	0	0
TOTAL	\$ 8,900,000	\$ 5,000,000	\$ 1,063,602	\$ 1,063,602

The Governor recommends \$1,063,602 to continue twice-daily passenger rail service between Kansas City and St. Louis.

**OFFICE OF ADMINISTRATION  
COSTS IN CRIMINAL CASES**

H.B. Sec. 14.050	GOVERNOR'S ORIGINAL RECOMMENDATION	ORIGINAL APPROPRIATION	CURRENT REQUEST	GOVERNOR RECOMMENDS
PROGRAM SPECIFIC DISTRIBUTION				
General Revenue Fund	\$ 31,308,000E	\$ 30,908,000	\$ 5,715,000	\$ 5,715,000

The Governor recommends \$5,715,000 for payment to counties for the net amount of costs in criminal cases, transportation of convicted criminals to state penitentiaries, and costs for reimbursement of expenses associated with extradition pursuant to Section 600.040, RSMo.

**OFFICE OF ADMINISTRATION  
CHILDREN'S SERVICES COMMISSION**

H.B. Sec. 14.055	GOVERNOR'S ORIGINAL RECOMMENDATION	ORIGINAL APPROPRIATION	CURRENT REQUEST	GOVERNOR RECOMMENDS
EXPENSE AND EQUIPMENT				
Children's Services Commission Fund	\$ 10,000	\$ 10,000	\$ 7,000	\$ 7,000

The Governor recommends \$7,000 for expenses associated with the Children's Services Commission.

**DEPARTMENT OF AGRICULTURE  
MISSOURI AGRICULTURAL AND SMALL BUSINESS DEVELOPMENT AUTHORITY**

H.B. Sec. 14.060	GOVERNOR'S ORIGINAL RECOMMENDATION	ORIGINAL APPROPRIATION	CURRENT REQUEST	GOVERNOR RECOMMENDS
TRANSFER				
General Revenue Fund	\$ 0	\$ 0	\$ 1E	\$ 1E

The Governor recommends \$1 on an open-ended basis to allow transfers from the general revenue fund to the single-purpose animal facilities loan guarantee fund in the event that the fund must cover a guaranteed loan.



**SUPPLEMENTAL APPROPRIATIONS**  
**DEPARTMENT OF AGRICULTURE**  
**MISSOURI AGRICULTURAL AND SMALL BUSINESS DEVELOPMENT AUTHORITY**

H.B. Sec.	14.065	GOVERNOR'S ORIGINAL RECOMMENDATION	ORIGINAL APPROPRIATION	CURRENT REQUEST	GOVERNOR RECOMMENDS
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**PROGRAM SPECIFIC DISTRIBUTION**

Single-Purpose Animal Facilities Loan  
Guarantee Fund

\$	0	\$	0	\$	1E	\$	1E
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The Governor recommends \$1 on an open-ended basis for distribution of funds from the single-purpose animal facilities loan guarantee fund for payment on guaranteed loans.

**DEPARTMENT OF AGRICULTURE**  
**MISSOURI AGRICULTURAL AND SMALL BUSINESS DEVELOPMENT AUTHORITY**

H.B. Sec.	14.070	GOVERNOR'S ORIGINAL RECOMMENDATION	ORIGINAL APPROPRIATION	CURRENT REQUEST	GOVERNOR RECOMMENDS
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**TRANSFER**

General Revenue Fund

\$	0	\$	0	\$	1E	\$	1E
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The Governor recommends \$1 on an open-ended basis to allow transfers from the general revenue fund to the agricultural products utilization and business development loan guarantee fund in the event that fund must cover a guaranteed loan pursuant to the Missouri Value Added Loan Guarantee Program.

**DEPARTMENT OF AGRICULTURE**  
**MISSOURI AGRICULTURAL AND SMALL BUSINESS DEVELOPMENT AUTHORITY**

H.B. Sec.	14.075	GOVERNOR'S ORIGINAL RECOMMENDATION	ORIGINAL APPROPRIATION	CURRENT REQUEST	GOVERNOR RECOMMENDS
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**PROGRAM SPECIFIC DISTRIBUTION**

Agricultural Products Utilization and Business  
Development Loan Guarantee Fund

\$	0	\$	0	\$	1E	\$	1E
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The Governor recommends \$1 on an open-ended basis for distribution of funds from the agricultural products utilization and business development loan guarantee fund for payment on guaranteed loans.

**DEPARTMENT OF ECONOMIC DEVELOPMENT**  
**ADMINISTRATIVE SERVICES**

H.B. Sec.	14.080	GOVERNOR'S ORIGINAL RECOMMENDATION	ORIGINAL APPROPRIATION	CURRENT REQUEST	GOVERNOR RECOMMENDS
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**EXPENSE AND EQUIPMENT**

General Revenue Fund

\$	673,737	\$	241,853	\$	100,000	\$	100,000
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The Governor recommends \$100,000 for contract services to provide the resources necessary to implement the Missouri Downtown and Rural Economic Stimulus Act created by HB 289 (2003).

**SUPPLEMENTAL APPROPRIATIONS  
DEPARTMENT OF ECONOMIC DEVELOPMENT  
BUSINESS SERVICES**

H.B. Sec. 14.085	GOVERNOR'S ORIGINAL RECOMMENDATION	ORIGINAL APPROPRIATION	CURRENT REQUEST	GOVERNOR RECOMMENDS
PERSONAL SERVICE	\$ 1,609,957	\$ 1,467,424	\$ 26,388	\$ 26,388
EXPENSE AND EQUIPMENT	<u>2,361,215</u>	<u>2,107,033</u>	<u>17,444</u>	<u>17,444</u>
TOTAL				
General Revenue Fund	\$ 3,971,172	\$ 3,574,457	\$ 43,832	\$ 43,832

The Governor recommends \$43,832 and two staff to provide the resources necessary to implement the Missouri Downtown and Rural Economic Stimulus Act created by HB 289 (2003).

**DEPARTMENT OF ECONOMIC DEVELOPMENT  
COMMUNITY DEVELOPMENT**

H.B. Sec. 14.090	GOVERNOR'S ORIGINAL RECOMMENDATION	ORIGINAL APPROPRIATION	CURRENT REQUEST	GOVERNOR RECOMMENDS
PERSONAL SERVICE	\$ 891,681	\$ 787,929	\$ 26,388	\$ 26,388
EXPENSE AND EQUIPMENT	<u>223,960</u>	<u>190,366</u>	<u>17,444</u>	<u>17,444</u>
TOTAL				
General Revenue Fund	\$ 1,115,641	\$ 978,295	\$ 43,832	\$ 43,832

The Governor recommends \$43,832 and two staff to provide the resources necessary to implement the Missouri Downtown and Rural Economic Stimulus Act created by HB 289 (2003).

**DEPARTMENT OF ECONOMIC DEVELOPMENT  
COMMUNITY DEVELOPMENT  
MISSOURI DOWNTOWN AND RURAL ECONOMIC STIMULUS ACT**

H.B. Sec. 14.095	GOVERNOR'S ORIGINAL RECOMMENDATION	ORIGINAL APPROPRIATION	CURRENT REQUEST	GOVERNOR RECOMMENDS
PROGRAM SPECIFIC DISTRIBUTION				
State Supplemental Downtown Development Fund	\$ 0	\$ 0	\$ 1E	\$ 1E
State Supplemental Rural Development Fund	<u>0</u>	<u>0</u>	<u>1E</u>	<u>1E</u>
TOTAL	\$ 0	\$ 0	\$ 2	\$ 2

The Governor recommends \$2 on an open-ended basis for distribution of funds to eligible projects under the Missouri Downtown and Rural Economic Stimulus Act.

**SUPPLEMENTAL APPROPRIATIONS  
DEPARTMENT OF ECONOMIC DEVELOPMENT  
COMMUNITY DEVELOPMENT  
MISSOURI DOWNTOWN AND RURAL ECONOMIC STIMULUS ACT**

H.B. Sec. 14.100	GOVERNOR'S ORIGINAL RECOMMENDATION	ORIGINAL APPROPRIATION	CURRENT REQUEST	GOVERNOR RECOMMENDS
TRANSFER				
State Supplemental Downtown Development Fund	\$ 0	\$ 0	\$ 1E	\$ 1E
State Supplemental Rural Development Fund	0	0	1E	1E
TOTAL	\$ 0	\$ 0	\$ 2	\$ 2

The Governor recommends \$2 on an open-ended basis for transfers to the general revenue fund for Personal Service and Expense and Equipment expended by the Divisions of Business Services and Community Development to administer the Missouri Downtown and Rural Economic Stimulus Act.

**DEPARTMENT OF ECONOMIC DEVELOPMENT  
COMMUNITY DEVELOPMENT  
DELTA REGIONAL AUTHORITY**

H.B. Sec. 14.105	GOVERNOR'S ORIGINAL RECOMMENDATION	ORIGINAL APPROPRIATION	CURRENT REQUEST	GOVERNOR RECOMMENDS
EXPENSE AND EQUIPMENT				
General Revenue Fund	\$ 223,960	\$ 190,366	\$ 80,000	\$ 80,000

The Governor recommends \$80,000 to pay annual dues to the Delta Regional Authority contingent upon receipt of federal funds for program activities.

**DEPARTMENT OF ECONOMIC DEVELOPMENT  
OFFICE OF PUBLIC COUNSEL**

H.B. Sec. 14.110	GOVERNOR'S ORIGINAL RECOMMENDATION	ORIGINAL APPROPRIATION	CURRENT REQUEST	GOVERNOR RECOMMENDS
PERSONAL SERVICE	\$ 721,398	\$ 625,015	\$ 12,018	\$ 0
EXPENSE AND EQUIPMENT	211,737	179,976	31,648	20,850
TOTAL				
General Revenue Fund	\$ 933,135	\$ 804,991	\$ 43,666	\$ 20,850

The Governor recommends \$20,850 and one staff for increased workload associated with additional rate cases due to the passage of HB 208 (2003).

**DEPARTMENT OF ECONOMIC DEVELOPMENT  
PUBLIC SERVICE COMMISSION**

H.B. Sec. 14.115	GOVERNOR'S ORIGINAL RECOMMENDATION	ORIGINAL APPROPRIATION	CURRENT REQUEST	GOVERNOR RECOMMENDS
PERSONAL SERVICE	\$ 9,475,375	\$ 9,435,499	\$ 87,812	\$ 87,812
EXPENSE AND EQUIPMENT	3,738,714	3,736,614	60,599	60,599
TOTAL				
Public Service Commission Fund	\$ 13,214,089	\$ 13,172,113	\$ 148,411	\$ 148,411

The Governor recommends \$148,411 and seven staff to implement the provisions of HB 208 (2003).

**SUPPLEMENTAL APPROPRIATIONS  
DEPARTMENT OF LABOR AND INDUSTRIAL RELATIONS  
DIVISION OF WORKERS' COMPENSATION  
SECOND INJURY**

H.B. Sec. 14.120	GOVERNOR'S ORIGINAL RECOMMENDATION	ORIGINAL APPROPRIATION	CURRENT REQUEST	GOVERNOR RECOMMENDS
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**PROGRAM SPECIFIC DISTRIBUTION**

Second Injury Fund	\$ 56,500,000E	\$ 53,500,000	\$ 1,500,000E	\$ 1,500,000E
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The Governor recommends \$1,500,000 on an open-ended basis to ensure that all eligible claimants are compensated.

**DEPARTMENT OF LABOR AND INDUSTRIAL RELATIONS  
MISSOURI COMMISSION ON HUMAN RIGHTS**

H.B. Sec. 14.125	GOVERNOR'S ORIGINAL RECOMMENDATION	ORIGINAL APPROPRIATION	CURRENT REQUEST	GOVERNOR RECOMMENDS
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**PERSONAL SERVICE**

General Revenue Fund	\$ 1,028,462	\$ 920,682	\$ 0	\$ 0
Federal Funds	<u>649,547E</u>	<u>757,327</u>	<u>42,673E</u>	<u>42,673E</u>
TOTAL	\$ 1,678,009	\$ 1,678,009	\$ 42,673	\$ 42,673

The Governor recommends \$42,673 on an open-ended basis to allow the Commission to earn and expend more federal funds through work-sharing agreements with federal agencies.

**DEPARTMENT OF PUBLIC SAFETY  
OFFICE OF THE DIRECTOR  
NATIONAL FORENSIC SCIENCES IMPROVEMENT ACT PROGRAM**

H.B. Sec. 14.130	GOVERNOR'S ORIGINAL RECOMMENDATION	ORIGINAL APPROPRIATION	CURRENT REQUEST	GOVERNOR RECOMMENDS
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**PROGRAM SPECIFIC DISTRIBUTION**

Federal Funds	\$ 210,000	\$ 210,000	\$ 305,226	\$ 305,226
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The Governor recommends \$305,226 for crime lab personnel training and related expenses.

**SUPPLEMENTAL APPROPRIATIONS  
DEPARTMENT OF PUBLIC SAFETY  
MISSOURI STATE HIGHWAY PATROL  
ENFORCEMENT**

H.B. Sec. 14.135	GOVERNOR'S ORIGINAL RECOMMENDATION	ORIGINAL APPROPRIATION	CURRENT REQUEST	GOVERNOR RECOMMENDS
EXPENSE AND EQUIPMENT				
General Revenue Fund	\$ 1,057,220	\$ 915,516	\$ 0	\$ 0
Federal Funds	9,343,607	9,343,607	0	0
State Highways and Transportation Department Fund	4,269,446	4,269,446	0	0
Criminal Record System Fund	1,484,121	1,484,121	1,210,000	1,210,000
Gaming Commission Fund	84,908	84,908	0	0
Highway Patrol Motor Vehicle and Aircraft Revolving Fund	330,500	330,500	0	0
General Revenue-Drug Seizure Fund	397,000	397,000	0	0
TOTAL	\$ 16,966,802	\$ 16,825,098	\$ 1,210,000	\$ 1,210,000

The Governor recommends \$1,210,000 to pass through national criminal history screening fees to the Federal Bureau of Investigation.

**DEPARTMENT OF PUBLIC SAFETY  
MISSOURI STATE HIGHWAY PATROL  
TECHNICAL SERVICES**

H.B. Sec. 14.140	GOVERNOR'S ORIGINAL RECOMMENDATION	ORIGINAL APPROPRIATION	CURRENT REQUEST	GOVERNOR RECOMMENDS
EXPENSE AND EQUIPMENT				
General Revenue Fund	\$ 255,128	\$ 88,564	\$ 0	\$ 0
Federal Funds	12,672,169	12,672,169	0	0
State Highways and Transportation Department Fund	5,131,647	5,131,647	2,444,345	892,778
Criminal Record System Fund	1,246,884	1,246,884	0	0
Criminal Justice Network and Technology Revolving Fund	2,201,000	2,201,000	0	0
TOTAL	\$ 21,506,828	\$ 21,340,264	\$ 2,444,345	\$ 892,778

The Governor recommends \$892,778 for Highway Patrol criminal justice data processing expenses.

**DEPARTMENT OF PUBLIC SAFETY  
MISSOURI STATE WATER PATROL**

H.B. Sec. 14.145	GOVERNOR'S ORIGINAL RECOMMENDATION	ORIGINAL APPROPRIATION	CURRENT REQUEST	GOVERNOR RECOMMENDS
EXPENSE AND EQUIPMENT				
General Revenue Fund	\$ 483,751	\$ 448,751	\$ 0	\$ 0
Federal Funds	1,436,728	1,436,728	90,000	90,000
General Revenue-Drug Seizure Fund	42,122	42,122	0	0
TOTAL	\$ 1,962,601	\$ 1,927,601	\$ 90,000	\$ 90,000

The Governor recommends \$90,000 for vessel replacement.

**SUPPLEMENTAL APPROPRIATIONS  
DEPARTMENT OF PUBLIC SAFETY  
OFFICE OF THE ADJUTANT GENERAL  
KOREAN CONFLICT MEDALLION PROGRAM**

H.B. Sec. 14.150	GOVERNOR'S ORIGINAL RECOMMENDATION	ORIGINAL APPROPRIATION	CURRENT REQUEST	GOVERNOR RECOMMENDS
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**EXPENSE AND EQUIPMENT**

Veterans' Commission Capital

Improvement Trust Fund	\$	0	\$	0	\$	752,472	\$	752,472
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The Governor recommends \$752,472 to implement the Korean Conflict Medallion Program established pursuant to SB 219 (2003).

**DEPARTMENT OF CORRECTIONS  
OFFICE OF THE DIRECTOR**

H.B. Sec. 14.155	GOVERNOR'S ORIGINAL RECOMMENDATION	ORIGINAL APPROPRIATION	CURRENT REQUEST	GOVERNOR RECOMMENDS
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**EXPENSE AND EQUIPMENT**

General Revenue Fund

Working Capital Revolving Fund

**TOTAL**

\$	20,715,183	\$	21,041,796	\$	51,246	\$	51,246
	1,500,000		1,500,000		0		0
\$	22,215,183	\$	22,541,796	\$	51,246	\$	51,246

The Governor recommends \$51,246 for unexpected fuel and utility expenses incurred at Northeast Correctional Center at Bowling Green.

**DEPARTMENT OF MENTAL HEALTH  
DIVISION OF ALCOHOL AND DRUG ABUSE (ADA)  
ADA TREATMENT SERVICES**

H.B. Sec. 14.160	GOVERNOR'S ORIGINAL RECOMMENDATION	ORIGINAL APPROPRIATION	CURRENT REQUEST	GOVERNOR RECOMMENDS
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**PROGRAM SPECIFIC DISTRIBUTION**

General Revenue Fund

\$	20,428,145	\$	17,612,133	\$	327,508	\$	327,508
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The Governor recommends \$327,508 for recipients receiving medical services in the Medicaid Program.

**DEPARTMENT OF MENTAL HEALTH  
DIVISION OF COMPREHENSIVE PSYCHIATRIC SERVICES (CPS)  
CPS ADULT COMMUNITY PROGRAMS**

H.B. Sec. 14.165	GOVERNOR'S ORIGINAL RECOMMENDATION	ORIGINAL APPROPRIATION	CURRENT REQUEST	GOVERNOR RECOMMENDS
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**PROGRAM SPECIFIC DISTRIBUTION**

General Revenue Fund

\$	67,616,177	\$	64,720,319	\$	1,211,292	\$	1,211,292
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The Governor recommends \$1,211,292 for recipients receiving medical services in the Medicaid Program.

**SUPPLEMENTAL APPROPRIATIONS  
DEPARTMENT OF HEALTH AND SENIOR SERVICES  
OFFICE OF THE DIRECTOR  
FEDERAL GRANTS AND DONATIONS**

H.B. Sec. 14.170	GOVERNOR'S ORIGINAL RECOMMENDATION	ORIGINAL APPROPRIATION	CURRENT REQUEST	GOVERNOR RECOMMENDS
PERSONAL SERVICE	\$ 300,000	\$ 300,000	\$ 347,653	\$ 347,653
EXPENSE AND EQUIPMENT	<u>3,000,002</u>	<u>3,000,002</u>	<u>1,323,066</u>	<u>1,323,066</u>
TOTAL				
Federal Funds	\$ 3,300,002	\$ 3,300,002	\$ 1,670,719	\$ 1,670,719

The Governor recommends \$1,670,719 to allow the department to accept increases to two existing grants and one newly awarded grant.

**DEPARTMENT OF HEALTH AND SENIOR SERVICES  
DIVISION OF ENVIRONMENTAL HEALTH AND COMMUNICABLE DISEASE PREVENTION**

H.B. Sec. 14.175	GOVERNOR'S ORIGINAL RECOMMENDATION	ORIGINAL APPROPRIATION	CURRENT REQUEST	GOVERNOR RECOMMENDS
PERSONAL SERVICE	\$ 81,251	\$ 81,251	\$ 27,117	\$ 27,117
EXPENSE AND EQUIPMENT	<u>235,050</u>	<u>235,050</u>	<u>10,266</u>	<u>10,266</u>
TOTAL				
Missouri Public Health Services Fund	\$ 316,301	\$ 316,301	\$ 37,383	\$ 37,383

The Governor recommends \$37,383 and two staff to increase the capacity of the Division of Environmental Health and Communicable Disease Prevention to monitor lead abatement projects.

**DEPARTMENT OF SOCIAL SERVICES  
DIVISION OF FAMILY SUPPORT  
ELECTRONIC BENEFIT TRANSFERS (EBT) SYSTEM**

H.B. Sec. 14.180	GOVERNOR'S ORIGINAL RECOMMENDATION	ORIGINAL APPROPRIATION	CURRENT REQUEST	GOVERNOR RECOMMENDS
EXPENSE AND EQUIPMENT				
General Revenue Fund	\$ 3,259,735	\$ 3,055,683	\$ 428,331	\$ 428,331
Federal Funds	<u>2,564,886</u>	<u>2,564,886</u>	<u>375,442</u>	<u>375,442</u>
TOTAL	\$ 5,824,621	\$ 5,620,569	\$ 803,773	\$ 803,773

The Governor recommends \$803,773 for increased expenditures due to food stamp caseload growth.

**DEPARTMENT OF SOCIAL SERVICES  
DIVISION OF FAMILY SUPPORT  
SUPPLEMENTAL NURSING CARE**

H.B. Sec. 14.185	GOVERNOR'S ORIGINAL RECOMMENDATION	ORIGINAL APPROPRIATION	CURRENT REQUEST	GOVERNOR RECOMMENDS
PROGRAM SPECIFIC DISTRIBUTION				
General Revenue Fund	\$ 25,538,684	\$ 25,538,684	\$ 458,937	\$ 458,937

The Governor recommends \$458,937 for increased expenditures due to caseload growth.

**SUPPLEMENTAL APPROPRIATIONS  
DEPARTMENT OF SOCIAL SERVICES  
DIVISION OF MEDICAL SERVICES  
HOME- AND COMMUNITY-BASED SERVICES**

H.B. Sec. 14.190	GOVERNOR'S ORIGINAL RECOMMENDATION	ORIGINAL APPROPRIATION	CURRENT REQUEST	GOVERNOR RECOMMENDS
PROGRAM SPECIFIC DISTRIBUTION				
General Revenue Fund	\$ 104,484,839	\$ 105,580,766	\$ 0	\$ 0
Title XIX-Federal and Other Funds	167,638,867	169,382,864	593,200	593,200
Health Initiatives Fund	<u>159,305</u>	<u>159,305</u>	<u>0</u>	<u>0</u>
TOTAL	\$ 272,283,011	\$ 275,122,935	\$ 593,200	\$ 593,200

The Governor recommends \$593,200 to implement SB 556 and 311 (2003) that enables at least two annual authorized nurse visits to assess Medicaid clients.

**DEPARTMENT OF SOCIAL SERVICES  
DIVISION OF MEDICAL SERVICES  
REHABILITATION AND SPECIALTY**

H.B. Sec. 14.195	GOVERNOR'S ORIGINAL RECOMMENDATION	ORIGINAL APPROPRIATION	CURRENT REQUEST	GOVERNOR RECOMMENDS
PROGRAM SPECIFIC DISTRIBUTION				
General Revenue Fund	\$ 33,639,055	\$ 34,141,356	\$ 8,803	\$ 8,803
Title XIX-Federal and Other Funds	55,862,176	56,661,510	14,044	14,044
Healthy Families Trust Fund-Health Care Account	831,745	831,745	0	0
Health Initiatives Fund	<u>194,881</u>	<u>194,881</u>	<u>0</u>	<u>0</u>
TOTAL	\$ 90,527,857	\$ 91,829,492	\$ 22,847	\$ 22,847

The Governor recommends \$22,847 to implement HB 455 (2003) requiring the Medicaid and the Children's Health Insurance Program to cover prostheses worn for hair loss resulting from the medical condition alopecia.

**DEPARTMENT OF SOCIAL SERVICES  
DIVISION OF MEDICAL SERVICES  
MANAGED CARE**

H.B. Sec. 14.200	GOVERNOR'S ORIGINAL RECOMMENDATION	ORIGINAL APPROPRIATION	CURRENT REQUEST	GOVERNOR RECOMMENDS
PROGRAM SPECIFIC DISTRIBUTION				
General Revenue Fund	\$ 166,743,914	\$ 154,303,250	\$ 3,508,099	\$ 3,508,099
Title XIX-Federal and Other Funds	465,676,717	459,515,560	5,582,595	5,582,595
Health Initiatives Fund	8,294,871	8,270,848	0	0
Federal Reimbursement Allowance Fund	107,540,525	116,112,906	0	0
Healthy Families Trust Fund-Health Care Account	<u>4,447,110</u>	<u>4,447,110</u>	<u>0</u>	<u>0</u>
TOTAL	\$ 752,703,137	\$ 742,649,674	\$ 9,090,694	\$ 9,090,694

The Governor recommends \$9,090,694 for additional anticipated costs of the Managed Care contract renewals for the eastern and central regions.



**SUPPLEMENTAL APPROPRIATIONS  
DEPARTMENT OF SOCIAL SERVICES  
DIVISION OF MEDICAL SERVICES  
HOSPITAL CARE**

H.B. Sec. 14.205	GOVERNOR'S ORIGINAL RECOMMENDATION	ORIGINAL APPROPRIATION	CURRENT REQUEST	GOVERNOR RECOMMENDS
PROGRAM SPECIFIC DISTRIBUTION				
General Revenue Fund	\$ 16,512,461	\$ 19,219,173	\$ 2,292,613	\$ 2,292,613
Title XIX-Federal and Other Funds	349,538,259	353,845,569	3,604,653	3,604,653
Uncompensated Care Fund	29,383,522	29,383,522	0	0
Federal Reimbursement Allowance Fund	108,958,465	108,958,465	0	0
Health Initiatives Fund	2,797,179	2,797,179	0	0
Healthy Families Trust Fund-Health Care Account	<u>42,731,431</u>	<u>2,365,987</u>	<u>0</u>	<u>0</u>
TOTAL	\$ 549,921,317	\$ 516,569,895	\$ 5,897,266	\$ 5,897,266

The Governor recommends \$5,897,266 for inpatient hospital claims.

**DEPARTMENT OF SOCIAL SERVICES  
DIVISION OF MEDICAL SERVICES  
STATE CHILDREN'S HEALTH INSURANCE PROGRAM**

H.B. Sec. 14.210	GOVERNOR'S ORIGINAL RECOMMENDATION	ORIGINAL APPROPRIATION	CURRENT REQUEST	GOVERNOR RECOMMENDS
PROGRAM SPECIFIC DISTRIBUTION				
General Revenue Fund	\$ 11,332,530	\$ 1,626,088	\$ 350,822	\$ 350,822
Title XIX-Federal and Other Funds	69,162,236	68,489,763	946,245	946,245
Federal Reimbursement Allowance Fund	8,300,000	8,300,000	0	0
Health Initiatives Fund	5,011,431	4,999,173	0	0
Pharmacy Rebates Fund	755,579	225,430	0	0
Pharmacy Reimbursement Allowance Fund	201,394	201,394	0	0
Premium Fund	<u>1,000,000</u>	<u>1,000,000</u>	<u>0</u>	<u>0</u>
TOTAL	\$ 95,763,170	\$ 84,841,848	\$ 1,297,067	\$ 1,297,067

The Governor recommends \$1,292,864 for additional anticipated costs of the Managed Care contract renewals for the eastern and central regions, and \$4,203 to implement HB 455 (2003) requiring the Medicaid and the Children's Health Insurance Program to cover prostheses worn for hair loss resulting from the medical condition alopecia.

**SUPPLEMENTAL APPROPRIATIONS  
DEPARTMENT OF SOCIAL SERVICES  
DIVISION OF MEDICAL SERVICES  
MEDICAID SUPPLEMENTAL POOL**

H.B. Sec. 14.215	GOVERNOR'S ORIGINAL RECOMMENDATION	ORIGINAL APPROPRIATION	CURRENT REQUEST	GOVERNOR RECOMMENDS
PROGRAM SPECIFIC DISTRIBUTION				
General Revenue Fund	\$ 0	\$ 0	\$ 95,111,671	\$ 13,211,671
Title XIX-Federal and Other Funds	24,107,487E	24,107,486	94,245,071	94,245,071
Premium Fund	3,837,940	3,837,940	0	0
Other Funds	11,399,999E	0	0	0
Third Party Liability Collections Fund	0	11,399,997	0	0
Uncompensated Care Fund	0	1	0	81,900,000
Pharmacy Rebates Fund	0	1	0	0
Federal Reimbursement Allowance Fund	0	1	0	0
Nursing Facility Federal Reimbursement Allowance Fund	0			
TOTAL	\$ 39,345,426	\$ 39,526,926	\$ 189,356,742	\$ 189,356,742

The Governor recommends \$189,356,742 for additional anticipated costs of existing Medicaid programs.

**ELECTED OFFICIALS  
OFFICE OF THE GOVERNOR**

H.B. Sec. 14.220	GOVERNOR'S ORIGINAL RECOMMENDATION	ORIGINAL APPROPRIATION	CURRENT REQUEST	GOVERNOR RECOMMENDS
EXPENSE AND EQUIPMENT				
General Revenue Fund	\$ 0	\$ 0	\$ 50,000	\$ 50,000

The Governor recommends \$50,000 for costs associated with conducting a special audit of the St. Louis public schools.

**SECRETARY OF STATE  
MISSOURI STATE LIBRARY**

H.B. Sec. 14.225	GOVERNOR'S ORIGINAL RECOMMENDATION	ORIGINAL APPROPRIATION	CURRENT REQUEST	GOVERNOR RECOMMENDS
PROGRAM SPECIFIC DISTRIBUTION				
General Revenue Fund	\$ 0	\$ 0	\$ 103,204	\$ 103,204

The Governor recommends \$103,204 for library automation grants.

**SUPPLEMENTAL APPROPRIATIONS  
ATTORNEY GENERAL**

H.B. Sec. 14.230	GOVERNOR'S ORIGINAL RECOMMENDATION	ORIGINAL APPROPRIATION	CURRENT REQUEST	GOVERNOR RECOMMENDS
PERSONAL SERVICE				
General Revenue Fund	\$ 10,421,520	\$ 10,079,315	\$ 0	\$ 0
Federal Funds	437,591	1,405,135	27,875	27,875
Other Funds	3,334,253	3,334,253	0	0
EXPENSE AND EQUIPMENT				
General Revenue Fund	2,128,720	2,045,836	0	0
Federal Funds	495,402	583,387	31,630	31,630
Other Funds	3,219,399	3,058,251	0	0
TOTAL	\$ 20,036,885	\$ 20,506,177	\$ 59,505	\$ 59,505
General Revenue Fund	12,550,240	12,125,151	0	0
Federal Funds	932,993	1,988,522	59,505	59,505
Other Funds	6,553,652	6,392,504	0	0

The Governor recommends \$59,505 and four staff to pursue child support cases in the courts.

**JUDICIARY  
SUPREME COURT**

H.B. Sec. 14.235	GOVERNOR'S ORIGINAL RECOMMENDATION	ORIGINAL APPROPRIATION	CURRENT REQUEST	GOVERNOR RECOMMENDS
PERSONAL SERVICE	\$ 0	\$ 0	\$ 21,033	\$ 21,033
EXPENSE AND EQUIPMENT	0	0	5,266	5,266
TOTAL				
Basic Civil Legal Services Fund	\$ 0	\$ 0	\$ 26,299	\$ 26,299

The Governor recommends \$26,299 and one staff to administer the basic civil legal services fund as required by SB 447 (2003).

**JUDICIARY  
CIRCUIT COURTS**

H.B. Sec. 14.240	GOVERNOR'S ORIGINAL RECOMMENDATION	ORIGINAL APPROPRIATION	CURRENT REQUEST	GOVERNOR RECOMMENDS
PERSONAL SERVICE	\$ 0	\$ 211,315	\$ 0	\$ 0
EXPENSE AND EQUIPMENT	0	1,985,185	250,000	250,000
TOTAL				
Drug Court Resources Fund	\$ 0	\$ 2,196,500	\$ 250,000	\$ 250,000

The Governor recommends \$250,000 spending authority from the drug court resources fund to cover expenses incurred in Fiscal Year 2003 for which payment has not been made.

**SUPPLEMENTAL APPROPRIATIONS  
GENERAL ASSEMBLY  
JOINT COMMITTEE ON TRANSPORTATION**

H.B. Sec. 14.245	GOVERNOR'S ORIGINAL RECOMMENDATION	ORIGINAL APPROPRIATION	CURRENT REQUEST	GOVERNOR RECOMMENDS
PERSONAL SERVICE	\$ 0	\$ 0	\$ 15,617	\$ 15,617
EXPENSE AND EQUIPMENT	<u>0</u>	<u>0</u>	<u>12,158</u>	<u>12,158</u>
TOTAL				
General Revenue Fund	\$ 0	\$ 0	\$ 27,775	\$ 27,775

The Governor recommends \$27,775 and two staff to implement HB 668 (2003).

**GENERAL ASSEMBLY  
JOINT COMMITTEE ON LEGISLATIVE RESEARCH**

H.B. Sec. 14.250	GOVERNOR'S ORIGINAL RECOMMENDATION	ORIGINAL APPROPRIATION	CURRENT REQUEST	GOVERNOR RECOMMENDS
PERSONAL SERVICE AND/OR EXPENSE AND EQUIPMENT				
General Revenue Fund	\$ 1,387,289	\$ 1,141,381	\$ 40,381	\$ 40,381

The Governor recommends \$40,381 for the expenses of the Subcommittee on Competition and Privatization established pursuant to SCR 13 (2003).

# CAPITAL IMPROVEMENTS

## POLICY SUMMARY

Missouri uses a biennial appropriations process for capital improvements. During the second year of the biennium, funding is provided for critical projects unforeseen at the time of the adoption of the biennial budget, projects required by legislation passed in the first year of the biennium, and projects using one-time resources that become available for major, one-time improvements to the state's infrastructure.

Governor Holden recommends funding to safeguard the state in the event of a disaster and to support projects at veterans' homes and National Guard facilities. These investments will expedite the state response should a disaster occur that damages state facilities, and enhance facilities at which veterans receive care and where Missouri National Guard units train.

### Federal Disaster Relief Funding

Federal disaster relief funds are available when severe storms, flooding, or other disasters damage state facilities. But the Division of Design and Construction, which is responsible for repairs to state facilities, does not have a mechanism to receive and expend such funds. An open-ended appropriation will allow the division to complete repairs to damaged state facilities without undue delay or further deterioration to the damaged facilities. To ensure timely repair of state facilities, Governor Holden recommends:

- \$1 on an open-ended basis from federal funds to receive and expend federal disaster relief funds for construction projects.

### Veterans' Homes

Some projects at veterans' homes are eligible for federal reimbursement of a portion of the construction costs. Such reimbursements are deposited in the veterans' commission capital improvement trust fund. A portion of these reimbursements will be used to supplement funds previously appropriated for a project at the Cape Girardeau Veterans' Home that is expected to exceed its original cost estimate. The Governor recommends:

- \$2,000,000 veterans commission capital improvement trust fund for construction projects at the Cape Girardeau Veterans' Home.

### National Guard Facilities

Federal funds are often made available to the Missouri National Guard for construction projects, but these funds cannot be used for certain administrative costs associated with such projects. Thus, the state must pay for the administrative costs in order to receive the benefits resulting from the projects. State appropriations for this purpose are inadequate because the federal government approved funding for several projects subsequent to the beginning of the Fiscal Year 2004-2005 biennium. This includes replacement of the Pierce City armory, which was damaged by a tornado in May 2003, and a new armory for a heavy truck unit to be located in Dexter. In return for this small investment, nearly \$17 million worth of federal construction projects will be completed at National Guard installations across Missouri. In addition to these new construction projects, a small amount of funding is necessary to close out the Sedalia armory project. To ensure timely repair of storm damaged facilities and to take advantage of federal construction funding, the Governor recommends:

- \$365,044 for administration of National Guard federally funded construction projects.
- \$40,000 for completion of the new National Guard armory in Sedalia.

## FISCAL YEAR 2005 CAPITAL IMPROVEMENTS SUMMARY

	<u>General Revenue</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total</u>
Office of Administration				
• Federal disaster relief	\$ 0	\$ 1	\$ 0	\$ 1
Department of Public Safety				
• Veterans' homes	0	0	2,000,000	2,000,000
• National Guard projects	405,044	0	0	405,044
<b>Total</b>	<b>\$ 405,044</b>	<b>\$ 1</b>	<b>\$ 2,000,000</b>	<b>\$ 2,405,045</b>

# ELECTED OFFICIALS

## FINANCIAL SUMMARY

	FY 2003 EXPENDITURE	FY 2004 APPROPRIATION	GOVERNOR RECOMMENDED FY 2005
Office of the Chief Executive	\$ 2,115,877	\$ 2,147,040	\$ 2,180,761
Lieutenant Governor	378,683	404,793	411,632
Secretary of State	25,160,962	29,997,319	66,672,733
State Auditor	7,978,354	8,257,965	8,402,357
State Treasurer	20,576,014	20,267,386	20,306,173
Attorney General	18,541,932	23,574,249	24,042,765
TOTAL	\$ 74,751,822	\$ 84,648,752 *	\$ 122,016,421
General Revenue Fund	42,611,552	41,849,145	43,618,200
Federal Funds	4,560,587	12,829,508	36,306,274
Statutory County Recorder's Fund	3,533,537	0	0
Treasurer's Information Fund	3,388	25,000	25,000
Secretary of State's Technology Trust Fund Account	2,590,191	3,001,001	3,002,571
Gaming Commission Fund	137,722	208,421	211,523
Central Check Mailing Service Revolving Fund	113,729	225,000	225,000
Natural Resources Protection Fund - Air Pollution Permit Fee Subaccount	36,658	36,987	37,633
Solid Waste Management Fund	37,158	37,487	38,133
Local Records Preservation Fund	1,334,655	1,703,182	1,700,606
Petroleum Storage Tank Insurance Fund	21,930	22,157	22,601
Motor Vehicle Commission Fund	0	44,692	45,360
Health Spa Regulatory Fund	0	5,000	5,000
Natural Resources Protection Fund - Water Pollution Permit Fee Subaccount	36,646	36,975	37,621
Attorney General's Court Costs Fund	167,155	187,000	187,000
Conservation Commission Fund	39,271	40,420	41,176
Parks Sales Tax Fund	18,745	18,883	19,261
Soil and Water Sales Tax Fund	30,966	31,209	31,788
Merchandising Practices Revolving Fund	1,732,796	2,493,522	2,505,494
State Highways and Transportation Department Fund	1,009,151	999,025	964,195
Petition Audit Revolving Trust Fund	341,741	620,031	631,380
Workers' Compensation Fund	286,139	437,319	441,949
Second Injury Fund	2,040,549	2,035,699	2,067,925
Lottery Enterprise Fund	48,375	48,881	49,859
Hazardous Waste Fund	36,618	36,975	37,621
Safe Drinking Water Fund	12,922	13,032	13,247
Missouri Office of Prosecution Services Fund	123,222	308,143	383,392
Hazardous Waste Remedial Fund	226,692	228,931	233,307
Investors Restitution Fund	45,500	55,000	55,000
Inmate Incarceration Reimbursement Act Revolving Fund	21,650	33,825	34,267
Secretary of State's Investor Education Fund	182,496	284,922	287,351
State Document Preservation Fund	987	306,363	12,353,955
Missouri Office of Prosecution Services Revolving Fund	94,584	150,000	150,000
Abandoned Fund Account	13,261,655	16,225,000	16,225,000
Mined Land Reclamation Fund	12,855	13,017	13,232
Secretary of State - Wolfner State Library Fund	0	57,000	14,500

\* Does not include \$212,709, including \$153,204 general revenue, recommended in the Fiscal Year 2004 Supplemental Appropriations. See the Supplemental section of the Missouri Budget for details regarding Elected Officials supplemental appropriations.

# OFFICE OF THE CHIEF EXECUTIVE

## FINANCIAL SUMMARY

	FY 2003 EXPENDITURE	FY 2004 APPROPRIATION	GOVERNOR RECOMMENDED FY 2005
Governor's Office and Mansion	\$ 1,839,765	\$ 1,993,888	\$ 2,027,609
National Guard Emergency	96,062	1	1
Association Dues	150,050	150,150	150,150
Special Audits	30,000	0	0
Governor's Mansion Preservation Advisory Commission	0	3,000	3,000
Governmental Emergency Fund	0	1	1
TOTAL	\$ 2,115,877	\$ 2,147,040	\$ 2,180,761
Personal Service	1,645,976	1,685,434	1,719,703
Expense and Equipment	469,901	461,604	461,056
Program Specific Distribution	0	2	2
TOTAL			
General Revenue Fund	\$ 2,115,877	\$ 2,147,040	\$ 2,180,761
Full-time equivalent employees	32.12	42.00	42.00

### GOVERNOR'S OFFICE AND MANSION

Article IV, Section 1 of the Missouri Constitution describes the duties and responsibilities of the Governor. This program includes the statutory salary of the Governor, funds for personnel in the Governor's offices and the mansion, and the expense and equipment costs for the offices and mansion.

#### Fiscal Year 2005 Governor's Recommendations

- \$33,721 for pay plan.

### NATIONAL GUARD EMERGENCY/HOMELAND SECURITY

The Missouri National Guard, when called to active duty by the Governor under Section 41.480, RSMo, has the authority to restore law and order and assist in the disaster relief of any section of the state where circumstances exceed the resources of local civil authorities. The most common use of the guard has been for cleanup and security following natural disasters, such as a flood or tornado, and public action during a time of local disorder.

#### Fiscal Year 2005 Governor's Recommendations

Continue funding at the current level.

**ELECTED OFFICIALS  
OFFICE OF THE CHIEF EXECUTIVE**

**ASSOCIATION DUES**

The National Governors' Association is an instrument of the governors of the 50 states. It is intended to influence the development and implementation of national policy and apply creative leadership to state problems. The association works closely with the President and the Congress on state-federal policy issues from its offices in the Hall of the States in Washington, D.C. Through its Center for Policy Research, the association also serves as a vehicle for sharing knowledge of innovative programs among states and provides technical assistance to governors.

The Southern Governors' Association provides a forum of cooperation among governors of southern states to work together and with the federal government to meet the unique needs of the states in the region.

**Fiscal Year 2005 Governor's Recommendations**

Continue funding at the current level.

**SPECIAL AUDITS**

Section 26.060, RSMo, authorizes the Governor to call for special audits of any entity receiving state funds when the public interest of the state will be served.

**GOVERNOR'S MANSION PRESERVATION ADVISORY COMMISSION**

The commission is composed of widows of former Missouri Governors in accordance with Section 8.020, RSMo. The members receive a sum of \$3,000 per year for serving on the commission.

**Fiscal Year 2005 Governor's Recommendations**

Continue funding at the current level.

**GOVERNMENTAL EMERGENCY FUND COMMITTEE**

Sections 33.700 through 33.730, RSMo, create the Governmental Emergency Fund Committee and allocation procedures for appropriations of emergency funds. Funds from this appropriation may be allocated by a majority vote of the Governmental Emergency Fund Committee members for the purpose of meeting emergency and unanticipated requirements. The committee consists of the Governor, Commissioner of Administration, the chair and ranking minority member of the Senate Appropriations Committee, the chair and ranking minority member of the House Appropriations Committee, and the director of the Division of Design and Construction who serves as an ex-officio consultant to the committee.

**Fiscal Year 2005 Governor's Recommendations**

Continue funding at the current level.



# LIEUTENANT GOVERNOR

Article IV, Section 10 of the Missouri Constitution describes the duties and responsibilities of the Lieutenant Governor. The statutory salary of the Lieutenant Governor and funds for the personnel and expense and equipment costs in operating the Office of the Lieutenant Governor are included in this program. The Lieutenant Governor presides over the Senate, is the Chair of the Missouri Senior Rx Program, the Co-Chair of the Personal Independence Commission, and the Secretary of the Board of Public Buildings and serves on the Missouri Development Finance Board, the Missouri Housing Development Commission, and the Second State Capitol Commission.

Proposition C, passed by voters in November 1992, established the Office of Advocacy and Assistance for the Elderly in the Lieutenant Governor's Office. The proposition also made the Lieutenant Governor a member of the Tourism, Economic Development, and Fund Commissioners boards and an advisor for educational programs.

## Fiscal Year 2005 Governor's Recommendations

- \$6,839 for pay plan.

	FY 2003 EXPENDITURE	FY 2004 APPROPRIATION	GOVERNOR RECOMMENDED FY 2005
Personal Service	\$ 313,287	\$ 344,982	\$ 348,757
Expense and Equipment	<u>65,396</u>	<u>59,811</u>	<u>62,875</u>
TOTAL			
General Revenue Fund	\$ 378,683	\$ 404,793	\$ 411,632
Full-time equivalent employees	8.30	8.50	8.50

# SECRETARY OF STATE

## FINANCIAL SUMMARY

	FY 2003 EXPENDITURE	FY 2004 APPROPRIATION	GOVERNOR RECOMMENDED FY 2005
Administration	\$ 14,022,984	\$ 15,118,603	\$ 14,588,579
Elections	1,545,398	5,211,396	29,343,581
Record Preservation Programs	380,756	1,136,876	12,960,129
Missouri Library Programs	9,211,824	8,530,444	9,780,444
TOTAL	\$ 25,160,962	\$ 29,997,319	\$ 66,672,733
PERSONAL SERVICE			
General Revenue Fund	7,124,281	6,749,775	6,840,603
Federal Funds	427,591	743,753	521,467
Secretary of State's Technology Trust Fund Account	68,813	78,505	80,075
Local Records Preservation Fund	836,862	885,175	902,879
Secretary of State's Investor Education Fund	98,068	121,458	123,887
State Document Preservation Fund	0	116,848	170,440
EXPENSE AND EQUIPMENT			
General Revenue Fund	3,882,412	3,051,302	4,361,302
Federal Funds	1,010,406	570,244	941,748
Election Administration Improvement Fund	0	0	3,749,990
Secretary of State's Technology Trust Fund Account	2,521,378	2,922,496	2,922,496
Local Records Preservation Fund	252,642	418,007	397,727
Secretary of State's Investor Education Fund	84,428	163,464	163,464
State Document Preservation Fund	987	25,255	12,019,255
Secretary of State - Wolfner State Library Fund	0	57,000	14,500
PROGRAM SPECIFIC DISTRIBUTION			
General Revenue Fund	6,885,997	7,119,444	7,119,444
Federal Funds	1,676,446	6,355,332	2,474,185
Local Records Preservation Fund	245,151	400,000	400,000
Election Administration Improvement Fund	0	1	23,250,011
Investors Restitution Fund	45,500	55,000	55,000
State Document Preservation Fund	0	164,260	164,260
TOTAL	\$ 25,160,962	\$ 29,997,319	\$ 66,672,733
General Revenue Fund	17,892,690	16,920,521	18,321,349
Federal Funds	3,114,443	7,669,329	3,937,400
Election Administration Improvement Fund	0	1	27,000,001
Secretary of State's Technology Trust Fund Account	2,590,191	3,001,001	3,002,571
Local Records Preservation Fund	1,334,655	1,703,182	1,700,606
Investors Restitution Fund	45,500	55,000	55,000
Secretary of State's Investor Education Fund	182,496	284,922	287,351
State Document Preservation Fund	987	306,363	12,353,955
Secretary of State - Wolfner State Library Fund	0	57,000	14,500
Full-time equivalent employees	282.44	269.80	265.80

## **ELECTED OFFICIALS SECRETARY OF STATE**

### **ADMINISTRATION**

The Office of the Secretary of State is organized as follows:

Administrative Services – provides central budgeting, payroll, human resources, accounting, supplies, and mailroom services for all areas of the office. Responsibilities also include publication of the official manual of the state of Missouri, the Constitution, corporation laws, securities laws, the uniform commercial code manual, notary public laws, trademark laws, primary election returns, and the state and general assembly roster.

Elections Services – prepares ballots, certifies candidates, canvasses election returns, certifies initiative petitions, and maintains the statewide voter registration database.

Record Services – provides for the maintenance, retention, preservation, and disposal of official records of the state and local governments of Missouri.

Administrative Rules and Legal Services – serves as the central filing office for all rules and regulations promulgated by departments of the state of Missouri.

Securities Services – works to protect Missouri investors from fraud and maintains an orderly securities market in the state. The Securities Commissioner administers the Missouri Uniform Securities Act.

Business Services – administers the laws and filings of corporations and non-profit organizations. The division is the central filing office and custodian of all filings on business and professional loans. Additionally, the division commissions public notaries.

Missouri State Library – supports or works in concert with public, academic, and institutional libraries of the state with grant support, consultant services, development of criteria for establishment of libraries, collection development, and resource sharing. The library serves as a research and reference library for state government and the legislature and as the central outlet for census data information.

Wolfner Library for the Blind and Physically Handicapped – provides a variety of Braille, large print books, talking books recorded on cassette and discs, as well as cassette and disc playback equipment for eligible blind, visually impaired, physically disabled, and learning disabled citizens. The federal government, through the National Library Service, provides production of the materials, equipment, and postal charges for their distribution. The state of Missouri pays for staffing and the cost of housing the collections of material and equipment for staff to operate the service.

### **Fiscal Year 2005 Governor's Recommendations**

- \$166,064 for pay plan, including \$134,136 general revenue.
- (\$652,780) core reduction for one-time expenditures, including (\$590,000) general revenue.
- (\$43,308) and (two) staff core reduction from the Fiscal Year 2004 appropriation level.

### **ELECTIONS**

Initiative, Referendum and Constitutional Amendments Expenses – funds are provided to allow for the publication of the texts of initiative petitions and referendums in newspapers prior to their consideration by the electorate of the state of Missouri. Payments are made in accordance with Chapter 125, RSMo, for constitutional amendments and Chapter 126, RSMo, for initiative petitions and referendums.

Absentee Ballots – funds are provided to allow for fees and costs for establishing and maintaining the business reply and postage-free mail for absentee envelopes returned by voters, in accordance with Section 115.285, RSMo.

## **ELECTED OFFICIALS SECRETARY OF STATE**

### **ELECTIONS (Continued)**

Election Printing and Federal Election Reform – provisional ballot envelopes must be provided for local election authorities to use in elections of federal candidates, statewide candidates, or statewide issues. In addition, the Elections Division must print and distribute voter registration applications in accordance with federal laws.

#### **Fiscal Year 2005 Governor's Recommendations**

- \$22,232,185 federal funds to implement the federal Help America Vote Act.
- \$1,900,000 for public notices of elections.

### **RECORD PRESERVATION PROGRAMS**

Local Records Grants – these funds are user fees designated for local records preservation. Missouri local governments submit proposals that address their specific needs in archive/records management. The Historical Records Advisory Board in concert with the Local Records Program Fiscal Grants Officer will establish priorities, implement, and audit the return of money to local governments.

Document Preservation – these funds are private donations designated for preservation of documents of legal, historical, and genealogical importance to the state of Missouri.

#### **Fiscal Year 2005 Governor's Recommendations**

- \$12,000,000 other funds to create a branch records center in St. Louis in cooperation with other entities, including the St. Louis Circuit Court, Washington University, University of Missouri-St. Louis, St. Louis University, Harris-Stowe College, and the Bar Association of St. Louis.
- \$66,172 federal "Save America's Treasures" funds to preserve a unique collection of early St. Louis judicial records.
- \$51,256 other funds and one archivist to enhance information access and to preserve valuable historic documents.
- \$42,000 federal funds for grants to fund safekeeping and accessibility of Missouri's historic documents.
- \$2,336 other funds for pay plan.
- (\$338,511) federal and other funds and (three) staff core reduction for one-time expenditures.

### **MISSOURI LIBRARY PROGRAMS**

#### **State Aid for Public Libraries**

The Missouri Constitution authorizes the state to support and aid public libraries. Consistent with this authority and the procedure set out in Section 181.060, RSMo, the Missouri State Library distributes funds to eligible public libraries on the basis of population served by the library district. A public library becomes eligible for participation if it has voted a local tax of at least ten cents per one hundred dollars assessed valuation. Local libraries use state funds to supplement local support.

#### **Remote Electronic Access for Libraries**

The Remote Electronic Access for Libraries (REAL) project is designed to connect all public libraries in Missouri to each other and the Internet through dedicated data connections. Library patrons will have quick access to resources beyond those available solely within their community.

#### **Literacy Investment for Tomorrow**

The Missouri State Library serves as fiscal agent for the state literacy resource center, Literacy Investment for Tomorrow (LIFT) in St. Louis. The center promotes and develops resources for organizations that provide literacy services.

#### **Federal Aid for Public Libraries**

The Missouri State Library administers federal grants under the federal Library Services and Construction Act. The library distributes funds to local public libraries for personnel, books, other library materials, and for general operating expenses to develop and improve library services. In addition, funds are available to local groups of libraries for improving local library cooperation. All costs for cooperative projects, except book purchases and building construction, are eligible for funding.

#### **Fiscal Year 2005 Governor's Recommendations**

- \$1,250,000 federal funds for increased assistance to public libraries.

# STATE AUDITOR

The State Auditor's Office works to ensure the proper use of public funds and to improve the efficiency and effectiveness of Missouri government by performing audits of state agencies, boards and commissions, the circuit court system, third-class counties, and other political subdivisions upon petition by the voters. These audits examine financial accountability, waste, opportunities for fraud, and whether government organizations and programs are achieving their purposes and operating economically and efficiently. All audits are performed in accordance with generally accepted government auditing standards issued by the Comptroller General of the United States. The audit reports are delivered to the Governor, the General Assembly, the auditee, and interested citizens. The State Auditor also provides an annual audit of the state's comprehensive annual financial report and federal grant programs administered by the state, reviews and registers general obligation bond issues of the state's political subdivisions, prepares fiscal notes for ballot initiatives, performs an Annual Forfeiture Report, and reviews property tax rates proposed by political subdivisions for compliance with state law.

## Fiscal Year 2005 Governor's Recommendations

- \$54,411 and one staff to replace state highways and transportation department funds.
- \$143,470 for pay plan, including \$110,762 general revenue.
- (\$53,489) state highways and transportation fund and (one) staff in core reduction from the Fiscal Year 2004 appropriation level.

	FY 2003 EXPENDITURE	FY 2004 APPROPRIATION	GOVERNOR RECOMMENDED FY 2005
PERSONAL SERVICE			
General Revenue Fund	\$ 5,439,879	\$ 5,538,153	\$ 5,695,954
Federal Funds	311,263	465,232	474,536
Gaming Commission Fund	32,317	59,047	60,228
Conservation Commission Fund	37,532	37,809	38,565
Parks Sales Tax Fund	18,745	18,883	19,261
Soil and Water Sales Tax Fund	18,054	18,187	18,551
State Highways and Transportation Department Fund	549,409	514,901	478,160
Petition Audit Revolving Trust Fund	306,209	567,415	578,764
EXPENSE AND EQUIPMENT			
General Revenue Fund	1,178,605	895,575	902,947
Federal Funds	29,954	44,967	44,967
Gaming Commission Fund	4,315	22,580	22,580
Conservation Commission Fund	1,739	2,611	2,611
State Highways and Transportation Department Fund	14,801	19,989	12,617
Petition Audit Revolving Trust Fund	35,532	52,616	52,616
TOTAL	\$ 7,978,354	\$ 8,257,965	\$ 8,402,357
General Revenue Fund	6,618,484	6,433,728	6,598,901
Federal Funds	341,217	510,199	519,503
Gaming Commission Fund	36,632	81,627	82,808
Conservation Commission Fund	39,271	40,420	41,176
Parks Sales Tax Fund	18,745	18,883	19,261
Soil and Water Sales Tax Fund	18,054	18,187	18,551
State Highways and Transportation Department Fund	564,210	534,890	490,777
Petition Audit Revolving Trust Fund	341,741	620,031	631,380
Full-time equivalent employees	155.87	178.27	178.27

# STATE TREASURER

## FINANCIAL SUMMARY

	FY 2003 EXPENDITURE	FY 2004 APPROPRIATION	GOVERNOR RECOMMENDED FY 2005
Administration	\$ 2,591,288	\$ 2,742,385	\$ 2,781,172
Issuing Duplicate and Outdated Checks	1,302,122	1,525,000	1,525,000
County Recorder Disbursements	3,533,537	0	0
Abandoned Fund Account	13,149,067	16,000,001	16,000,001
<b>TOTAL</b>	<b>\$ 20,576,014</b>	<b>\$ 20,267,386</b>	<b>\$ 20,306,173</b>
<b>PERSONAL SERVICE</b>			
General Revenue Fund	1,372,233	1,438,412	1,467,182
State Highways and Transportation Department Fund	444,941	464,135	473,418
Second Injury Fund	36,232	36,675	37,409
<b>EXPENSE AND EQUIPMENT</b>			
General Revenue Fund	367,727	324,883	324,883
Treasurer's Information Fund	3,388	25,000	25,000
Central Check Mailing Service Revolving Fund	113,729	225,000	225,000
Second Injury Fund	3,280	3,280	3,280
Abandoned Fund Account	249,758	225,000	225,000
<b>PROGRAM SPECIFIC DISTRIBUTION</b>			
General Revenue Fund	1,439,292	1,525,001	1,525,001
Abandoned Fund Account	13011897	16,000,000	16,000,000
Statutory County Recorder's Fund	3,533,537	0	0
<b>TOTAL</b>	<b>\$ 20,576,014</b>	<b>\$ 20,267,386</b>	<b>\$ 20,306,173</b>
General Revenue Fund	3,179,252	3,288,296	3,317,066
Statutory County Recorder's Fund	3,533,537	0	0
Treasurer's Information Fund	3,388	25,000	25,000
Central Check Mailing Service Revolving Fund	113,729	225,000	225,000
State Highways and Transportation Department Fund	444,941	464,135	473,418
Second Injury Fund	39,512	39,955	40,689
Abandoned Fund Account	13,261,655	16,225,000	16,225,000
<b>Full-time equivalent employees</b>	<b>51.68</b>	<b>51.00</b>	<b>51.00</b>

## ADMINISTRATION

The State Treasurer is responsible for receiving and investing state moneys, posting receipts to the proper funds, and signing warrants drawn according to law. As custodian of those funds, the Treasurer determines the amount of state moneys not needed for current operating expenses and invests those funds in interest-bearing time deposits in Missouri banking institutions or in short-term United States government obligations. The Treasurer is required to give due consideration to the preservation of state funds and the comparative yields available. The Treasurer also must determine whether the general welfare of the state is better served by investing state funds in United States securities or within the Missouri banking system.

The Treasurer also administers the state's unclaimed property law by collecting unclaimed or abandoned funds and property belonging to Missouri citizens and trying to locate the owners.

### Fiscal Year 2005 Governor's Recommendations

- \$38,787 for pay plan, including \$28,770 general revenue.

**ELECTED OFFICIALS  
STATE TREASURER**

**ISSUING DUPLICATE AND OUTLAWED CHECKS**

These functions allow payment of claims against the state in cases where checks are not presented for payment within 12 months of issuance as required by law and in cases where checks are presented for payment more than five years after the date of issuance.

**Fiscal Year 2005 Governor's Recommendations**

Continue funding at the current level.

**DISTRIBUTIONS TO COUNTY RECORDER OFFICES**

The State Treasurer was responsible for calculating and distributing funding to counties with a separate office for the Recorder of Deeds which collects less than \$55,000 annually in certain revenues. This function was transferred to the Department of Revenue effective August 28, 2002.

**ABANDONED FUND ACCOUNT**

In accordance with Section 447.543, RSMo, the abandoned fund account has the two-fold purpose of receiving funds that have remained unclaimed for a period of seven years and making the payment of valid claims. Any time the fund exceeds \$50,000, the Treasurer may, and at least once every year shall, transfer the excess to general revenue. If verified claims for payment should reduce the balance in the account to less than \$25,000, the Treasurer shall transfer from general revenue an amount sufficient to restore the fund to \$50,000.

**Fiscal Year 2005 Governor's Recommendations**

Continue funding at the current level.

# ATTORNEY GENERAL

The Attorney General takes legal action to protect the rights and interests of the state, defends or prosecutes appeals to which the state is a party, provides opinions regarding state law, and assists prosecuting attorneys in the prosecution of cases. The Office of the Attorney General has several responsibilities for which specific funds have been established by law.

Section 27.080, RSMo, established the Attorney General's court costs fund to receive deposits and make payments of court costs in litigation requiring the appearance of the Attorney General. This fund is supplemented by a transfer from general revenue.

Section 416.081, RSMo, created the antitrust revolving fund which is made up of deposits of ten percent of any court settlement of antitrust litigation involving the Attorney General. This fund is supplemented by a transfer from general revenue.

Chapter 287, RSMo, provides for the Attorney General to charge the second injury fund for the cost of defending the fund.

Section 56.750, RSMo, establishes the Missouri Office of Prosecution Services within the Attorney General's Office. The Prosecution Services Office is funded through fees assessed as court costs in criminal cases. The office was established to develop uniform training and procedures for Missouri's prosecuting attorneys.

Sections 407.1070 to 407.1085, RSMo, established a no-call database to be maintained by the Attorney General for citizens who object to receiving telephone solicitations at home.

## **Fiscal Year 2005 Governor's Recommendations**

- \$154,200 federal funds and four staff to seek judicial action on pending child support enforcement cases.
- \$61,895 other funds and one staff for the Missouri Office of Prosecution Services to provide technical computer support to county prosecuting attorneys and their staff.
- \$10,400 other funds and .50 staff for the Missouri Office of Prosecution Services for a part-time law clerk to assist prosecutors with legal research.
- \$311,393 for pay plan, including \$203,096 general revenue.
- (\$69,372) and (one) staff in core reduction from the Fiscal Year 2004 appropriation level.



# ELECTED OFFICIALS

## ATTORNEY GENERAL (Continued)

	FY 2003 EXPENDITURE	FY 2004 APPROPRIATION	GOVERNOR RECOMMENDED FY 2005
Administration	\$ 17,877,378	\$ 22,061,958	\$ 22,452,760
Missouri Office of Prosecution Services	664,554	1,512,291	1,590,005
TOTAL	\$ 18,541,932	\$ 23,574,249	\$ 24,042,765
PERSONAL SERVICE			
General Revenue Fund	9,845,037	10,224,167	10,357,891
Federal Funds	695,102	2,259,522	2,416,213
Gaming Commission Fund	95,029	96,047	97,968
Merchandising Practices Revolving Fund	545,660	598,662	610,634
Workers' Compensation Fund	229,149	231,518	236,148
Second Injury Fund	1,558,757	1,574,620	1,606,112
Missouri Office of Prosecution Services Fund	100,362	147,724	206,078
Hazardous Waste Remedial Fund	216,527	218,766	223,142
Other Funds	251,568	287,896	293,657
EXPENSE AND EQUIPMENT			
General Revenue Fund	2,326,529	2,196,000	2,196,000
Federal Funds	335,475	2,290,457	2,333,157
Gaming Commission Fund	6,061	30,747	30,747
Attorney General's Court Costs Fund	167,155	187,000	187,000
Merchandising Practices Revolving Fund	1,187,136	1,894,860	1,894,860
Workers' Compensation Fund	56,990	205,801	205,801
Second Injury Fund	442,280	421,124	421,124
Missouri Office of Prosecution Services Fund	22,860	160,419	177,314
Hazardous Waste Remedial Fund	10,165	10,165	10,165
Missouri Office of Prosecution Services Revolving Fund	94,584	150,000	150,000
Other Funds	26,156	54,154	54,154
PROGRAM SPECIFIC DISTRIBUTION			
General Revenue Fund	255,000	234,600	234,600
Federal Funds	74,350	100,000	100,000
TOTAL	\$ 18,541,932	\$ 23,574,249	\$ 24,042,765
General Revenue Fund	12,426,566	12,654,767	12,788,491
Federal Funds	1,104,927	4,649,979	4,849,370
Gaming Commission Fund	101,090	126,794	128,715
Attorney General's Court Costs Fund	167,155	187,000	187,000
Merchandising Practices Revolving Fund	1,732,796	2,493,522	2,505,494
Workers' Compensation Fund	286,139	437,319	441,949
Second Injury Fund	2,001,037	1,995,744	2,027,236
Missouri Office of Prosecution Services Fund	123,222	308,143	383,392
Hazardous Waste Remedial Fund	226,692	228,931	233,307
Missouri Office of Prosecution Services Revolving Fund	94,584	150,000	150,000
Other Funds	277,724	342,050	347,811
Full-time equivalent employees	364.39	411.55	416.05

# OFFICE OF THE CHIEF EXECUTIVE

## FINANCIAL SUMMARY

	FY 2003 EXPENDITURE	FY 2004 APPROPRIATION	GOVERNOR RECOMMENDED FY 2005
Governor's Office and Mansion	\$ 1,839,765	\$ 1,993,888	\$ 2,027,609
National Guard Emergency	96,062	1	1
Association Dues	150,050	150,150	150,150
Special Audits	30,000	0	0
Governor's Mansion Preservation Advisory Commission	0	3,000	3,000
Governmental Emergency Fund	0	1	1
<b>TOTAL</b>	<b>\$ 2,115,877</b>	<b>\$ 2,147,040</b>	<b>\$ 2,180,761</b>
Personal Service	1,645,976	1,685,434	1,719,703
Expense and Equipment	469,901	461,604	461,056
Program Specific Distribution	0	2	2
<b>TOTAL</b>			
General Revenue Fund	\$ 2,115,877	\$ 2,147,040	\$ 2,180,761
Full-time equivalent employees	32.12	42.00	42.00

### GOVERNOR'S OFFICE AND MANSION

Article IV, Section 1 of the Missouri Constitution describes the duties and responsibilities of the Governor. This program includes the statutory salary of the Governor, funds for personnel in the Governor's offices and the mansion, and the expense and equipment costs for the offices and mansion.

#### Fiscal Year 2005 Governor's Recommendations

- \$33,721 for pay plan.

### NATIONAL GUARD EMERGENCY/HOMELAND SECURITY

The Missouri National Guard, when called to active duty by the Governor under Section 41.480, RSMo, has the authority to restore law and order and assist in the disaster relief of any section of the state where circumstances exceed the resources of local civil authorities. The most common use of the guard has been for cleanup and security following natural disasters, such as a flood or tornado, and public action during a time of local disorder.

#### Fiscal Year 2005 Governor's Recommendations

Continue funding at the current level.

**ELECTED OFFICIALS  
OFFICE OF THE CHIEF EXECUTIVE**

**ASSOCIATION DUES**

The National Governors' Association is an instrument of the governors of the 50 states. It is intended to influence the development and implementation of national policy and apply creative leadership to state problems. The association works closely with the President and the Congress on state-federal policy issues from its offices in the Hall of the States in Washington, D.C. Through its Center for Policy Research, the association also serves as a vehicle for sharing knowledge of innovative programs among states and provides technical assistance to governors.

The Southern Governors' Association provides a forum of cooperation among governors of southern states to work together and with the federal government to meet the unique needs of the states in the region.

**Fiscal Year 2005 Governor's Recommendations**

Continue funding at the current level.

**SPECIAL AUDITS**

Section 26.060, RSMo, authorizes the Governor to call for special audits of any entity receiving state funds when the public interest of the state will be served.

**GOVERNOR'S MANSION PRESERVATION ADVISORY COMMISSION**

The commission is composed of widows of former Missouri Governors in accordance with Section 8.020, RSMo. The members receive a sum of \$3,000 per year for serving on the commission.

**Fiscal Year 2005 Governor's Recommendations**

Continue funding at the current level.

**GOVERNMENTAL EMERGENCY FUND COMMITTEE**

Sections 33.700 through 33.730, RSMo, create the Governmental Emergency Fund Committee and allocation procedures for appropriations of emergency funds. Funds from this appropriation may be allocated by a majority vote of the Governmental Emergency Fund Committee members for the purpose of meeting emergency and unanticipated requirements. The committee consists of the Governor, Commissioner of Administration, the chair and ranking minority member of the Senate Appropriations Committee, the chair and ranking minority member of the House Appropriations Committee, and the director of the Division of Design and Construction who serves as an ex-officio consultant to the committee.

**Fiscal Year 2005 Governor's Recommendations**

Continue funding at the current level.

# LIEUTENANT GOVERNOR

Article IV, Section 10 of the Missouri Constitution describes the duties and responsibilities of the Lieutenant Governor. The statutory salary of the Lieutenant Governor and funds for the personnel and expense and equipment costs in operating the Office of the Lieutenant Governor are included in this program. The Lieutenant Governor presides over the Senate, is the Chair of the Missouri Senior Rx Program, the Co-Chair of the Personal Independence Commission, and the Secretary of the Board of Public Buildings and serves on the Missouri Development Finance Board, the Missouri Housing Development Commission, and the Second State Capitol Commission.

Proposition C, passed by voters in November 1992, established the Office of Advocacy and Assistance for the Elderly in the Lieutenant Governor's Office. The proposition also made the Lieutenant Governor a member of the Tourism, Economic Development, and Fund Commissioners boards and an advisor for educational programs.

## Fiscal Year 2005 Governor's Recommendations

- \$6,839 for pay plan.

	FY 2003 EXPENDITURE	FY 2004 APPROPRIATION	GOVERNOR RECOMMENDED FY 2005
Personal Service	\$ 313,287	\$ 344,982	\$ 348,757
Expense and Equipment	<u>65,396</u>	<u>59,811</u>	<u>62,875</u>
TOTAL			
General Revenue Fund	\$ 378,683	\$ 404,793	\$ 411,632
Full-time equivalent employees	8.30	8.50	8.50

# SECRETARY OF STATE

## FINANCIAL SUMMARY

	FY 2003 EXPENDITURE	FY 2004 APPROPRIATION	GOVERNOR RECOMMENDED FY 2005
Administration	\$ 14,022,984	\$ 15,118,603	\$ 14,588,579
Elections	1,545,398	5,211,396	29,343,581
Record Preservation Programs	380,756	1,136,876	12,960,129
Missouri Library Programs	9,211,824	8,530,444	9,780,444
TOTAL	\$ 25,160,962	\$ 29,997,319	\$ 66,672,733
PERSONAL SERVICE			
General Revenue Fund	7,124,281	6,749,775	6,840,603
Federal Funds	427,591	743,753	521,467
Secretary of State's Technology Trust Fund Account	68,813	78,505	80,075
Local Records Preservation Fund	836,862	885,175	902,879
Secretary of State's Investor Education Fund	98,068	121,458	123,887
State Document Preservation Fund	0	116,848	170,440
EXPENSE AND EQUIPMENT			
General Revenue Fund	3,882,412	3,051,302	4,361,302
Federal Funds	1,010,406	570,244	941,748
Election Administration Improvement Fund	0	0	3,749,990
Secretary of State's Technology Trust Fund Account	2,521,378	2,922,496	2,922,496
Local Records Preservation Fund	252,642	418,007	397,727
Secretary of State's Investor Education Fund	84,428	163,464	163,464
State Document Preservation Fund	987	25,255	12,019,255
Secretary of State - Wolfner State Library Fund	0	57,000	14,500
PROGRAM SPECIFIC DISTRIBUTION			
General Revenue Fund	6,885,997	7,119,444	7,119,444
Federal Funds	1,676,446	6,355,332	2,474,185
Local Records Preservation Fund	245,151	400,000	400,000
Election Administration Improvement Fund	0	1	23,250,011
Investors Restitution Fund	45,500	55,000	55,000
State Document Preservation Fund	0	164,260	164,260
TOTAL	\$ 25,160,962	\$ 29,997,319	\$ 66,672,733
General Revenue Fund	17,892,690	16,920,521	18,321,349
Federal Funds	3,114,443	7,669,329	3,937,400
Election Administration Improvement Fund	0	1	27,000,001
Secretary of State's Technology Trust Fund Account	2,590,191	3,001,001	3,002,571
Local Records Preservation Fund	1,334,655	1,703,182	1,700,606
Investors Restitution Fund	45,500	55,000	55,000
Secretary of State's Investor Education Fund	182,496	284,922	287,351
State Document Preservation Fund	987	306,363	12,353,955
Secretary of State - Wolfner State Library Fund	0	57,000	14,500
Full-time equivalent employees	282.44	269.80	265.80

## **ELECTED OFFICIALS SECRETARY OF STATE**

### **ADMINISTRATION**

The Office of the Secretary of State is organized as follows:

Administrative Services – provides central budgeting, payroll, human resources, accounting, supplies, and mailroom services for all areas of the office. Responsibilities also include publication of the official manual of the state of Missouri, the Constitution, corporation laws, securities laws, the uniform commercial code manual, notary public laws, trademark laws, primary election returns, and the state and general assembly roster.

Elections Services – prepares ballots, certifies candidates, canvasses election returns, certifies initiative petitions, and maintains the statewide voter registration database.

Record Services – provides for the maintenance, retention, preservation, and disposal of official records of the state and local governments of Missouri.

Administrative Rules and Legal Services – serves as the central filing office for all rules and regulations promulgated by departments of the state of Missouri.

Securities Services – works to protect Missouri investors from fraud and maintains an orderly securities market in the state. The Securities Commissioner administers the Missouri Uniform Securities Act.

Business Services – administers the laws and filings of corporations and non-profit organizations. The division is the central filing office and custodian of all filings on business and professional loans. Additionally, the division commissions public notaries.

Missouri State Library – supports or works in concert with public, academic, and institutional libraries of the state with grant support, consultant services, development of criteria for establishment of libraries, collection development, and resource sharing. The library serves as a research and reference library for state government and the legislature and as the central outlet for census data information.

Wolfner Library for the Blind and Physically Handicapped – provides a variety of Braille, large print books, talking books recorded on cassette and discs, as well as cassette and disc playback equipment for eligible blind, visually impaired, physically disabled, and learning disabled citizens. The federal government, through the National Library Service, provides production of the materials, equipment, and postal charges for their distribution. The state of Missouri pays for staffing and the cost of housing the collections of material and equipment for staff to operate the service.

### **Fiscal Year 2005 Governor's Recommendations**

- \$166,064 for pay plan, including \$134,136 general revenue.
- (\$652,780) core reduction for one-time expenditures, including (\$590,000) general revenue.
- (\$43,308) and (two) staff core reduction from the Fiscal Year 2004 appropriation level.

### **ELECTIONS**

Initiative, Referendum and Constitutional Amendments Expenses – funds are provided to allow for the publication of the texts of initiative petitions and referendums in newspapers prior to their consideration by the electorate of the state of Missouri. Payments are made in accordance with Chapter 125, RSMo, for constitutional amendments and Chapter 126, RSMo, for initiative petitions and referendums.

Absentee Ballots – funds are provided to allow for fees and costs for establishing and maintaining the business reply and postage-free mail for absentee envelopes returned by voters, in accordance with Section 115.285, RSMo.

## **ELECTED OFFICIALS SECRETARY OF STATE**

### **ELECTIONS (Continued)**

Election Printing and Federal Election Reform – provisional ballot envelopes must be provided for local election authorities to use in elections of federal candidates, statewide candidates, or statewide issues. In addition, the Elections Division must print and distribute voter registration applications in accordance with federal laws.

#### **Fiscal Year 2005 Governor's Recommendations**

- \$22,232,185 federal funds to implement the federal Help America Vote Act.
- \$1,900,000 for public notices of elections.

### **RECORD PRESERVATION PROGRAMS**

Local Records Grants – these funds are user fees designated for local records preservation. Missouri local governments submit proposals that address their specific needs in archive/records management. The Historical Records Advisory Board in concert with the Local Records Program Fiscal Grants Officer will establish priorities, implement, and audit the return of money to local governments.

Document Preservation – these funds are private donations designated for preservation of documents of legal, historical, and genealogical importance to the state of Missouri.

#### **Fiscal Year 2005 Governor's Recommendations**

- \$12,000,000 other funds to create a branch records center in St. Louis in cooperation with other entities, including the St. Louis Circuit Court, Washington University, University of Missouri-St. Louis, St. Louis University, Harris-Stowe College, and the Bar Association of St. Louis.
- \$66,172 federal "Save America's Treasures" funds to preserve a unique collection of early St. Louis judicial records.
- \$51,256 other funds and one archivist to enhance information access and to preserve valuable historic documents.
- \$42,000 federal funds for grants to fund safekeeping and accessibility of Missouri's historic documents.
- \$2,336 other funds for pay plan.
- (\$338,511) federal and other funds and (three) staff core reduction for one-time expenditures.

### **MISSOURI LIBRARY PROGRAMS**

#### **State Aid for Public Libraries**

The Missouri Constitution authorizes the state to support and aid public libraries. Consistent with this authority and the procedure set out in Section 181.060, RSMo, the Missouri State Library distributes funds to eligible public libraries on the basis of population served by the library district. A public library becomes eligible for participation if it has voted a local tax of at least ten cents per one hundred dollars assessed valuation. Local libraries use state funds to supplement local support.

#### **Remote Electronic Access for Libraries**

The Remote Electronic Access for Libraries (REAL) project is designed to connect all public libraries in Missouri to each other and the Internet through dedicated data connections. Library patrons will have quick access to resources beyond those available solely within their community.

#### **Literacy Investment for Tomorrow**

The Missouri State Library serves as fiscal agent for the state literacy resource center, Literacy Investment for Tomorrow (LIFT) in St. Louis. The center promotes and develops resources for organizations that provide literacy services.

#### **Federal Aid for Public Libraries**

The Missouri State Library administers federal grants under the federal Library Services and Construction Act. The library distributes funds to local public libraries for personnel, books, other library materials, and for general operating expenses to develop and improve library services. In addition, funds are available to local groups of libraries for improving local library cooperation. All costs for cooperative projects, except book purchases and building construction, are eligible for funding.

#### **Fiscal Year 2005 Governor's Recommendations**

- \$1,250,000 federal funds for increased assistance to public libraries.

# STATE AUDITOR

The State Auditor's Office works to ensure the proper use of public funds and to improve the efficiency and effectiveness of Missouri government by performing audits of state agencies, boards and commissions, the circuit court system, third-class counties, and other political subdivisions upon petition by the voters. These audits examine financial accountability, waste, opportunities for fraud, and whether government organizations and programs are achieving their purposes and operating economically and efficiently. All audits are performed in accordance with generally accepted government auditing standards issued by the Comptroller General of the United States. The audit reports are delivered to the Governor, the General Assembly, the auditee, and interested citizens. The State Auditor also provides an annual audit of the state's comprehensive annual financial report and federal grant programs administered by the state, reviews and registers general obligation bond issues of the state's political subdivisions, prepares fiscal notes for ballot initiatives, performs an Annual Forfeiture Report, and reviews property tax rates proposed by political subdivisions for compliance with state law.

## Fiscal Year 2005 Governor's Recommendations

- \$54,411 and one staff to replace state highways and transportation department funds.
- \$143,470 for pay plan, including \$110,762 general revenue.
- (\$53,489) state highways and transportation fund and (one) staff in core reduction from the Fiscal Year 2004 appropriation level.

	FY 2003 EXPENDITURE	FY 2004 APPROPRIATION	GOVERNOR RECOMMENDED FY 2005
<b>PERSONAL SERVICE</b>			
General Revenue Fund	\$ 5,439,879	\$ 5,538,153	\$ 5,695,954
Federal Funds	311,263	465,232	474,536
Gaming Commission Fund	32,317	59,047	60,228
Conservation Commission Fund	37,532	37,809	38,565
Parks Sales Tax Fund	18,745	18,883	19,261
Soil and Water Sales Tax Fund	18,054	18,187	18,551
State Highways and Transportation Department Fund	549,409	514,901	478,160
Petition Audit Revolving Trust Fund	306,209	567,415	578,764
<b>EXPENSE AND EQUIPMENT</b>			
General Revenue Fund	1,178,605	895,575	902,947
Federal Funds	29,954	44,967	44,967
Gaming Commission Fund	4,315	22,580	22,580
Conservation Commission Fund	1,739	2,611	2,611
State Highways and Transportation Department Fund	14,801	19,989	12,617
Petition Audit Revolving Trust Fund	35,532	52,616	52,616
<b>TOTAL</b>	<b>\$ 7,978,354</b>	<b>\$ 8,257,965</b>	<b>\$ 8,402,357</b>
General Revenue Fund	6,618,484	6,433,728	6,598,901
Federal Funds	341,217	510,199	519,503
Gaming Commission Fund	36,632	81,627	82,808
Conservation Commission Fund	39,271	40,420	41,176
Parks Sales Tax Fund	18,745	18,883	19,261
Soil and Water Sales Tax Fund	18,054	18,187	18,551
State Highways and Transportation Department Fund	564,210	534,890	490,777
Petition Audit Revolving Trust Fund	341,741	620,031	631,380
<b>Full-time equivalent employees</b>	<b>155.87</b>	<b>178.27</b>	<b>178.27</b>



# STATE TREASURER

## FINANCIAL SUMMARY

	FY 2003 EXPENDITURE	FY 2004 APPROPRIATION	GOVERNOR RECOMMENDED FY 2005
Administration	\$ 2,591,288	\$ 2,742,385	\$ 2,781,172
Issuing Duplicate and Outdated Checks	1,302,122	1,525,000	1,525,000
County Recorder Disbursements	3,533,537	0	0
Abandoned Fund Account	13,149,067	16,000,001	16,000,001
<b>TOTAL</b>	<b>\$ 20,576,014</b>	<b>\$ 20,267,386</b>	<b>\$ 20,306,173</b>
<b>PERSONAL SERVICE</b>			
General Revenue Fund	1,372,233	1,438,412	1,467,182
State Highways and Transportation Department Fund	444,941	464,135	473,418
Second Injury Fund	36,232	36,675	37,409
<b>EXPENSE AND EQUIPMENT</b>			
General Revenue Fund	367,727	324,883	324,883
Treasurer's Information Fund	3,388	25,000	25,000
Central Check Mailing Service Revolving Fund	113,729	225,000	225,000
Second Injury Fund	3,280	3,280	3,280
Abandoned Fund Account	249,758	225,000	225,000
<b>PROGRAM SPECIFIC DISTRIBUTION</b>			
General Revenue Fund	1,439,292	1,525,001	1,525,001
Abandoned Fund Account	13011897	16,000,000	16,000,000
Statutory County Recorder's Fund	3,533,537	0	0
<b>TOTAL</b>	<b>\$ 20,576,014</b>	<b>\$ 20,267,386</b>	<b>\$ 20,306,173</b>
General Revenue Fund	3,179,252	3,288,296	3,317,066
Statutory County Recorder's Fund	3,533,537	0	0
Treasurer's Information Fund	3,388	25,000	25,000
Central Check Mailing Service Revolving Fund	113,729	225,000	225,000
State Highways and Transportation Department Fund	444,941	464,135	473,418
Second Injury Fund	39,512	39,955	40,689
Abandoned Fund Account	13,261,655	16,225,000	16,225,000
<b>Full-time equivalent employees</b>	<b>51.68</b>	<b>51.00</b>	<b>51.00</b>

## ADMINISTRATION

The State Treasurer is responsible for receiving and investing state moneys, posting receipts to the proper funds, and signing warrants drawn according to law. As custodian of those funds, the Treasurer determines the amount of state moneys not needed for current operating expenses and invests those funds in interest-bearing time deposits in Missouri banking institutions or in short-term United States government obligations. The Treasurer is required to give due consideration to the preservation of state funds and the comparative yields available. The Treasurer also must determine whether the general welfare of the state is better served by investing state funds in United States securities or within the Missouri banking system.

The Treasurer also administers the state's unclaimed property law by collecting unclaimed or abandoned funds and property belonging to Missouri citizens and trying to locate the owners.

### Fiscal Year 2005 Governor's Recommendations

- \$38,787 for pay plan, including \$28,770 general revenue.

**ELECTED OFFICIALS  
STATE TREASURER**

**ISSUING DUPLICATE AND OUTLAWED CHECKS**

These functions allow payment of claims against the state in cases where checks are not presented for payment within 12 months of issuance as required by law and in cases where checks are presented for payment more than five years after the date of issuance.

**Fiscal Year 2005 Governor's Recommendations**

Continue funding at the current level.

**DISTRIBUTIONS TO COUNTY RECORDER OFFICES**

The State Treasurer was responsible for calculating and distributing funding to counties with a separate office for the Recorder of Deeds which collects less than \$55,000 annually in certain revenues. This function was transferred to the Department of Revenue effective August 28, 2002.

**ABANDONED FUND ACCOUNT**

In accordance with Section 447.543, RSMo, the abandoned fund account has the two-fold purpose of receiving funds that have remained unclaimed for a period of seven years and making the payment of valid claims. Any time the fund exceeds \$50,000, the Treasurer may, and at least once every year shall, transfer the excess to general revenue. If verified claims for payment should reduce the balance in the account to less than \$25,000, the Treasurer shall transfer from general revenue an amount sufficient to restore the fund to \$50,000.

**Fiscal Year 2005 Governor's Recommendations**

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# ATTORNEY GENERAL

The Attorney General takes legal action to protect the rights and interests of the state, defends or prosecutes appeals to which the state is a party, provides opinions regarding state law, and assists prosecuting attorneys in the prosecution of cases. The Office of the Attorney General has several responsibilities for which specific funds have been established by law.

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Sections 407.1070 to 407.1085, RSMo, established a no-call database to be maintained by the Attorney General for citizens who object to receiving telephone solicitations at home.

## **Fiscal Year 2005 Governor's Recommendations**

- \$154,200 federal funds and four staff to seek judicial action on pending child support enforcement cases.
- \$61,895 other funds and one staff for the Missouri Office of Prosecution Services to provide technical computer support to county prosecuting attorneys and their staff.
- \$10,400 other funds and .50 staff for the Missouri Office of Prosecution Services for a part-time law clerk to assist prosecutors with legal research.
- \$311,393 for pay plan, including \$203,096 general revenue.
- (\$69,372) and (one) staff in core reduction from the Fiscal Year 2004 appropriation level.

# ELECTED OFFICIALS

## ATTORNEY GENERAL (Continued)

	FY 2003 EXPENDITURE	FY 2004 APPROPRIATION	GOVERNOR RECOMMENDED FY 2005
Administration	\$ 17,877,378	\$ 22,061,958	\$ 22,452,760
Missouri Office of Prosecution Services	664,554	1,512,291	1,590,005
TOTAL	\$ 18,541,932	\$ 23,574,249	\$ 24,042,765
PERSONAL SERVICE			
General Revenue Fund	9,845,037	10,224,167	10,357,891
Federal Funds	695,102	2,259,522	2,416,213
Gaming Commission Fund	95,029	96,047	97,968
Merchandising Practices Revolving Fund	545,660	598,662	610,634
Workers' Compensation Fund	229,149	231,518	236,148
Second Injury Fund	1,558,757	1,574,620	1,606,112
Missouri Office of Prosecution Services Fund	100,362	147,724	206,078
Hazardous Waste Remedial Fund	216,527	218,766	223,142
Other Funds	251,568	287,896	293,657
EXPENSE AND EQUIPMENT			
General Revenue Fund	2,326,529	2,196,000	2,196,000
Federal Funds	335,475	2,290,457	2,333,157
Gaming Commission Fund	6,061	30,747	30,747
Attorney General's Court Costs Fund	167,155	187,000	187,000
Merchandising Practices Revolving Fund	1,187,136	1,894,860	1,894,860
Workers' Compensation Fund	56,990	205,801	205,801
Second Injury Fund	442,280	421,124	421,124
Missouri Office of Prosecution Services Fund	22,860	160,419	177,314
Hazardous Waste Remedial Fund	10,165	10,165	10,165
Missouri Office of Prosecution Services Revolving Fund	94,584	150,000	150,000
Other Funds	26,156	54,154	54,154
PROGRAM SPECIFIC DISTRIBUTION			
General Revenue Fund	255,000	234,600	234,600
Federal Funds	74,350	100,000	100,000
TOTAL	\$ 18,541,932	\$ 23,574,249	\$ 24,042,765
General Revenue Fund	12,426,566	12,654,767	12,788,491
Federal Funds	1,104,927	4,649,979	4,849,370
Gaming Commission Fund	101,090	126,794	128,715
Attorney General's Court Costs Fund	167,155	187,000	187,000
Merchandising Practices Revolving Fund	1,732,796	2,493,522	2,505,494
Workers' Compensation Fund	286,139	437,319	441,949
Second Injury Fund	2,001,037	1,995,744	2,027,236
Missouri Office of Prosecution Services Fund	123,222	308,143	383,392
Hazardous Waste Remedial Fund	226,692	228,931	233,307
Missouri Office of Prosecution Services Revolving Fund	94,584	150,000	150,000
Other Funds	277,724	342,050	347,811
Full-time equivalent employees	364.39	411.55	416.05

# JUDICIARY

## FINANCIAL SUMMARY

	FY 2003 EXPENDITURE	FY 2004 APPROPRIATION	FY 2005 REQUEST	GOVERNOR RECOMMENDS FY 2005
Supreme Court	\$ 4,413,032	\$ 4,741,581	\$ 7,202,554	\$ 6,899,961
Office of State Courts Administrator	23,143,704	30,865,609	32,944,808	31,665,957
Courts of Appeal	10,081,558	10,006,074	10,796,701	10,181,404
Circuit Courts	109,428,457	111,623,656	114,612,137	113,905,523
Drug Courts	1,821,500	3,321,500	6,721,500	3,321,500
Commission on Retirement, Removal, and Discipline of Judges	184,752	189,861	189,861	192,805
Appellate Judicial Commission	3,638	15,993	7,741	7,741
<b>TOTAL</b>	<b>\$ 149,076,641</b>	<b>\$ 160,764,274 *</b>	<b>\$ 172,475,302</b>	<b>\$ 166,174,891</b>
General Revenue Fund	139,003,782	137,546,486	146,841,884	140,436,828
Federal Funds	4,950,075	16,869,957	16,739,877	16,811,261
Third Party Liability Collections Fund	249,826	347,912	347,912	352,309
Statewide Court Automation Fund	4,452,551	4,707,919	4,707,919	4,735,400
Supreme Court Publications Revolving Fund	79,991	125,000	150,000	150,000
Missouri CASA Fund	56,984	200,000	200,000	200,000
Crime Victims' Compensation Fund	0	352,000	632,000	632,000
Basic Civil Legal Services Fund	0	0	2,085,710	2,085,710
Supreme Court Administrative Revolving Fund	28,913	90,000	180,000	180,000
Domestic Relations Resolution Fund	253,732	500,000	590,000	591,383
Fine Collections Center				
Interest Revolving Fund	787	25,000	0	0
<b>Full-time equivalent employees</b>	<b>3,349.12</b>	<b>3,399.86</b>	<b>3,482.26</b>	<b>3,400.86</b>

\* Does not include \$26,299 other funds recommended in the Fiscal Year 2004 Supplemental Appropriations. See the Supplemental section of the Missouri Budget for details regarding the Judiciary supplemental appropriations.

## POLICY SUMMARY

Governor Holden's budget for Fiscal Year 2005 provides a total of \$166.2 million for the Judiciary. The judiciary ensures Missourians have an equitable and accessible forum for the adjudication of civil disputes and criminal charges.

### Providing Basic Civil Legal Services

The Office of State Courts Administrator has been given the responsibility to collect and deposit fees for the Basic Civil Legal Services Fund imposed on selected court cases by SB 447 (2003), and intercepting state tax refunds on behalf of the courts from individuals who have failed to pay court costs, fines, fees, and other sums in excess of \$25 as ordered by the court by HB 600 (2003). It is estimated more than \$3 million per year will pass through the office for the Basic Civil Legal Services Fund alone. To allow the Judiciary to assume this new responsibility, the Governor recommends:

- \$2,085,710 other funds to administer and distribute basic civil legal services funds.

### Continuing Court Automation

During Fiscal Year 2004, three circuits are assisting with the implementation of the case management system, adding additional circuit court caseload to the automated system. However, the ongoing costs to support the system cannot be absorbed locally. Over the last two fiscal years case management was implemented in juvenile offices in 15 circuits and will be implemented in 6 more circuits during Fiscal Year 2004. In addition, the Office of State Courts Administrator is increasing efforts to improve collections of court surcharges and fees, including those supporting court automation and crime victims' compensation. The Governor recommends:

- \$541,225, including \$261,225 general revenue, for ongoing costs to support statewide court automation.

## JUDICIARY

### POLICY SUMMARY (Continued)

#### **Improving Health Care For Juveniles in Detention**

A survey conducted by the Missouri Juvenile Justice Association revealed a lack of policy and procedures for medication dispensing by the majority of Missouri's 24 court-based juvenile detention facilities. The Judiciary proposes creating a Missouri Juvenile Detention Health Consortium to address this issue. The Governor recommends:

- \$49,920 federal funds to develop training, policies, and procedures to provide juveniles in detention facilities improved health care services.

#### **Cuts Already Made**

The Judiciary has worked to minimize the impact of reduced funding on services. However, funding has been cut in recent years. In Fiscal Year 2004, the Office of State Courts Administrator experienced a cut of \$746,802, or 15 percent of its general revenue budget. The cut in funding has been managed through reductions in travel, purchases, equipment maintenance and repair, the consolidation of contracts, and by a reduction of 12.44 positions within the Office of State Courts Administrator. Employees have taken on new duties as positions have been eliminated.

## **JUDICIARY**

### **SUPREME COURT**

The Supreme Court has exclusive appellate jurisdiction in all cases involving: the validity of a treaty or statute of the United States or of a statute or provision of the Missouri Constitution; the construction of the state's revenue laws; the title to any state office; and, in all cases, where the punishment imposed is death. In addition, the court may order cases transferred to it from the Court of Appeals if the cases involve questions of general interest or importance, if the court thinks the existing law should be reexamined, if the opinion conflicts with prior opinions, or for other reasons provided by rule of the court. The Court of Appeals also may order a case transferred to the Supreme Court after opinion either by order of the Court of Appeals itself, or by the dissent of a court of appeals judge.

The court is also authorized by the Constitution to establish rules for practice and procedure in the courts and to make temporary transfers of judicial personnel. In addition to its decision-making powers, the Supreme Court supervises all lower courts in the state, (assisted by the Office of State Courts Administrator) licenses all lawyers practicing in Missouri, and disciplines those found guilty of violating the Rules of Professional Conduct.

#### **Fiscal Year 2005 Governor's Recommendations**

- \$2,057,366 other funds and one staff to administer the basic civil legal services fund and to distribute those funds for basic civil legal services to eligible low-income persons.
- \$25,000 other funds for increased costs of research and publishing publications.
- \$76,014 for pay plan, including \$67,414 general revenue.

### **OFFICE OF STATE COURTS ADMINISTRATOR**

The Office of State Courts Administrator fulfills the administrative obligations of the Supreme Court, which are mandated under the judicial article and the statutes. Staff of the office provides technical assistance, statistical analysis, financial system analysis, and continuing education functions for the courts. The office assists in policy direction for the Statewide Judicial Information System (SWJIS), collects and analyzes caseload data from the courts, develops and operates appellate and circuit record-keeping systems, develops and operates administrative systems, prepares the judicial budget, and maintains the personnel system for the courts. A central transcribing service prepares typed transcripts from sound recordings when needed for appeals or other purposes as required by statute. The office processes payrolls for all state-paid circuit court employees and all other state expenditures of the Supreme Court and circuit courts.

#### **Fiscal Year 2005 Governor's Recommendations**

- \$541,225 to continue support for integrated case management, including \$261,225 general revenue.
- \$49,920 federal funds to create a consortium to review medication dispensing practices for juvenile detention facilities.
- \$28,344 other funds and one staff to collect fees for the basic civil legal services fund as required by SB 447 (2003).
- \$180,859 for pay plan, including \$115,974 general revenue.
- (3 staff) core reduction from the Fiscal Year 2004 appropriation level.

## JUDICIARY

### COURT OF APPEALS

Missouri's current appellate structure—a single Court of Appeals consisting of three districts—was established by a 1970 constitutional amendment. The Eastern District sits in St. Louis, the Western District sits in Kansas City, and the Southern District holds sessions in Springfield and Poplar Bluff. The number of judges in each district is set by statute. The Eastern District has 14 judges, the Western District has 11 judges, and the Southern District has 7 judges.

The Court of Appeals may issue and determine original remedial writs and has general appellate jurisdiction in all cases not within the exclusive jurisdiction of the Supreme Court. Cases not within the Supreme Court's exclusive jurisdiction may be transferred from the Court of Appeals to the Supreme Court when it is determined that a case involves an important issue that should be decided by the state's highest court.

#### Fiscal Year 2005 Governor's Recommendations

- \$2,575 for increased rent in the Southern District.
- \$172,755 for pay plan.

	FY 2003 EXPENDITURE	FY 2004 APPROPRIATION	GOVERNOR RECOMMENDS FY 2005
Western District	\$ 3,401,984	\$ 3,371,833	\$ 3,430,662
Eastern District	4,393,309	4,364,405	4,442,092
Southern District	2,286,265	2,269,836	2,308,650
TOTAL	\$ 10,081,558	\$ 10,006,074	\$ 10,181,404
Personal Service	8,618,856	8,637,678	8,810,433
Expense and Equipment	1,462,702	1,368,396	1,370,971
TOTAL			
General Revenue Fund	\$ 10,081,558	\$ 10,006,074	\$ 10,181,404

Full-time equivalent employees	158.72	158.85	158.85
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### CIRCUIT COURTS

Circuit courts are established by Article V, Section 15 of the Constitution of Missouri. The boundaries, circuit number, and inclusive counties of the 45 circuits are established by Chapter 478, RSMo. The circuit court is the exclusive trial court in Missouri. It is comprised of circuit judges, associate circuit judges, and municipal judges. Municipalities under 400,000 population may, and those over 400,000 must, make provision for judges to hear municipal ordinance violations. If such provision is not made, municipalities will file such cases before an associate circuit judge.

#### Fiscal Year 2005 Governor's Recommendations

- \$123,060 for an additional judge and one support clerk for the 23<sup>rd</sup> Circuit, Jefferson County. An additional judge is needed because of population growth revealed by the 2000 census and is called for pursuant to Section 478.320, RSMo.
- \$13,464 for statutory salary increases for circuit clerks in four counties moving into a new classification on January 1, 2005 (Butler, Lincoln, Scott, and Stone counties).
- \$2,170,343 for pay plan, including \$2,139,183 general revenue.
- (\$25,000) other funds core reduction from the Fiscal Year 2004 appropriation level.



## **JUDICIARY**

### **DRUG COURTS**

The main purpose of a drug court program is to use the authority of the court to reduce crime by changing defendants' drug-using behavior. Under this concept, defendants are diverted to drug court programs in various ways and at various stages of the judicial process, depending on the circumstances. Drug courts provide the court system an additional tool to reduce the number of people coming into the court and penal systems because of substance abuse by reducing the rate of recidivism. Additionally, providing drug treatment programs decreases the negative consequences of drug abuse such as a reduction in the number of additional cases filed involving family disputes, abuse and neglect, truancy, property crimes, and crimes of violence.

In 1998, the legislature passed HB 1147, which allows any circuit to establish a drug court that shall combine judicial supervision, drug testing, and treatment of drug court participants. House Bill 471, passed by the General Assembly in 2001, established a "Drug Court Coordinating Commission" (DCCC), composed of eight members: one member selected by the director of the Department of Corrections; one member selected by the director of the Department of Social Services; one member selected by the director of the Department of Mental Health; one member selected by the director of the Department of Public Safety; one member selected by the Office of State Courts Administrator; and three members selected by the Supreme Court. The commission is to evaluate, secure, coordinate, and allocate funding resources to the various drug courts around the state.

#### **Fiscal Year 2005 Governor's Recommendations**

Continue funding at the current level.

### **COMMISSION ON RETIREMENT, REMOVAL, AND DISCIPLINE OF JUDGES**

The Commission on Retirement, Removal, and Discipline of Judges, authorized in Article V, Section 27 of the Missouri Constitution, receives and investigates all requests and suggestions concerning retirement for disability and all complaints concerning misconduct of judges, members of the judicial commissions, and members of this commission. The commission is composed of two citizens who are not members of the bar and who are appointed by the Governor, two lawyers appointed by the governing body of the Missouri Bar, one judge of the Courts of Appeal selected by a majority of the judges of the Courts of Appeal, and one judge of the circuit courts selected by a majority of the circuit judges of this state.

#### **Fiscal Year 2005 Governor's Recommendations**

- \$2,944 for pay plan.

### **APPELLATE JUDICIAL COMMISSION**

The Appellate Judicial Commission consists of a judge of the Supreme Court, one member of the bar from each appeals district, and one citizen not a member of the bar from each appeals district. The commission considers vacant judgeships of the Supreme Court or the Courts of Appeal. The Circuit Judicial Commission consists of the chief judge of the Courts of Appeal over the district, two members of the bar residing in the judicial circuit, and two citizens not members of the bar residing in the circuit. This commission considers vacancies in the office of circuit judge or associate circuit judge in those districts subject to nonpartisan selection of judges.

#### **Fiscal Year 2005 Governor's Recommendations**

- (\$8,252) for one-time expenditures.

# OFFICE OF THE STATE PUBLIC DEFENDER

## FINANCIAL SUMMARY

	FY 2003 EXPENDITURE	FY 2004 APPROPRIATION	FY 2005 REQUEST	GOVERNOR RECOMMENDS FY 2005
Defender Services	\$ 26,732,927	\$ 25,552,024	\$ 33,761,719	\$ 25,998,320
Federal Grants	0	125,000	125,000	125,000
Legal Defense and Defender Fund	1,193,698	1,215,734	1,215,734	1,216,901
Homicide/Conflict of Interest Cases	2,104,551	2,559,850	2,559,850	2,559,850
DEPARTMENT TOTAL	\$ 30,031,176	\$ 29,452,608	\$ 37,662,303	\$ 29,900,071
PERSONAL SERVICE				
General Revenue Fund	21,023,002	22,314,833	27,944,894	22,761,129
Legal Defense and Defender Fund	45,453	58,378	58,378	59,545
EXPENSE AND EQUIPMENT				
General Revenue Fund	7,814,476	5,797,041	8,376,675	5,797,041
Legal Defense and Defender Fund	1,117,067	1,157,356	1,125,876	1,125,876
PROGRAM SPECIFIC DISTRIBUTION				
Federal Funds	0	125,000	125,000	125,000
Legal Defense and Defender Fund	31,178	0	31,480	31,480
TOTAL	\$ 30,031,176	\$ 29,452,608	\$ 37,662,303	\$ 29,900,071
General Revenue Fund	28,837,478	28,111,874	36,321,569	28,558,170
Federal Funds	0	125,000	125,000	125,000
Legal Defense and Defender Fund	1,193,698	1,215,734	1,215,734	1,216,901
Full-time equivalent employees	528.95	560.13	627.38	560.13

## POLICY SUMMARY

The Sixth Amendment of the U.S. Constitution assures that no person accused of a crime and unable to pay for legal assistance shall face trial without counsel. Established in 1982, the Office of the State Public Defender exists as a system for providing defense services to every jurisdiction within the state by means of a centrally administered organization having a full-time staff. The State Public Defender System fulfills the constitutional guarantee of legal counsel for persons accused of criminal offenses in Missouri's 45 judicial circuits (embracing 114 counties and the City of St. Louis).

Functioning as an independent department of the Missouri judicial branch, the Office of the State Public Defender is charged with providing legal defense for indigents accused of criminal offenses. The office's caseload has grown from 73,738 cases in Fiscal Year 1999 to 97,410 projected cases in Fiscal Year 2005, an increase of 32 percent.

In Fiscal Year 2004, the Office of the State Public Defender took a 15 percent cut to its expense and equipment budget. In order to both achieve greater efficiencies and adjust to this core reduction, the Office of the State Public Defender has implemented various cost saving and expense reduction strategies including:

- Reducing training to redirect funds toward mandatory costs such as bar fees.
- Eliminating dues to professional organizations.
- Eliminating pre-printed letterhead and envelopes.
- Reallocating staffing with every staff resignation.
- Reducing each office's travel budget by 15 percent.
- Refusing to accept collect calls from any sources, including incarcerated clients.

A properly funded public defender system is essential to maintain an efficient, effective, and constitutional criminal justice system. Therefore, the Governor's recommendations provide ongoing funding of \$29.9 million.

### Fiscal Year 2005 Governor's Recommendations

- \$447,463 for pay plan, including \$446,296 general revenue.

# GENERAL ASSEMBLY

## FINANCIAL SUMMARY

	FY 2003 EXPENDITURE	FY 2004 APPROPRIATION	DEPARTMENT REQUEST
Expenses of the Senate	\$ 10,026,392	\$ 10,556,774	\$ 10,916,672
Expenses of the House of Representatives	18,580,265	18,695,600	18,971,043
Missouri Commission on Interstate Cooperation	283,579	80,000	80,000
Committee on Legislative Research	2,094,198	2,109,336	2,164,443
Interim Committees of the General Assembly	1,925	5,000	5,000
<b>TOTAL</b>	<b>\$ 30,986,359</b>	<b>\$ 31,446,710</b>	<b>\$ 32,137,158</b>
General Revenue Fund	30,933,643	31,255,219	31,945,253
House of Representatives Revolving Fund	23,720	45,000	45,000
Senate Revolving Fund	82	40,000	40,000
Statutory Revision Fund	28,914	106,491	106,905
<b>Full-time equivalent employees</b>	<b>711.36</b>	<b>729.50</b>	<b>707.21</b>

\* Does not include \$68,156 and 0.34 staff in Fiscal Year 2004 Supplemental Appropriations. See the Supplemental section of the Missouri Budget for details regarding General Assembly supplemental appropriations.

## GENERAL ASSEMBLY

### EXPENSES OF THE SENATE

Article III of the Missouri Constitution provides for the legislative branch of Missouri state government, consisting of the House of Representatives and the Senate. The Senate is composed of 34 members elected for four-year terms.

The budget of the Senate includes funding for members' statutory salaries; travel reimbursement of 33 cents per mile; a per diem that is 80 percent of the federal per diem, now \$76; staff support; and interim committee expenses. The Senate appropriation also includes funds for several joint committees.

#### Fiscal Year 2005 Request

- \$100,853 and two staff for the Joint Committee on Transportation.
- \$85,400 for inaugural expenses.
- \$173,645 for pay plan.

	FY 2003 EXPENDITURE	FY 2004 APPROPRIATION	DEPARTMENT REQUEST
Salaries of Members	\$ 1,038,395	\$ 1,071,448	\$ 1,092,877
Mileage of Members	56,435	56,435	56,435
Per Diem of Members	193,785	226,100	226,100
Senate Contingent Expenses	8,308,472	8,709,120	8,940,269
Joint Contingent Expenses	52,537	100,000	100,000
Joint Committee on Administrative Rules	81,987	119,707	121,501
Joint Committee on Retirement Systems	132,199	155,000	157,673
Joint Committee on Capital Improvements	116,930	118,964	120,964
Joint Committee on Gaming and Wagering	45,652	0	0
Joint Committee on Transportation	0	0	100,853
TOTAL	\$ 10,026,392	\$ 10,556,774	\$ 10,916,672
General Revenue Fund	10,026,310	10,516,774	10,876,672
Senate Revolving Fund	82	40,000	40,000
Full-time equivalent employees	231.76	225.00	227.00

## GENERAL ASSEMBLY

### EXPENSES OF THE HOUSE OF REPRESENTATIVES

Article III of the Missouri Constitution provides for the legislative branch of Missouri state government, consisting of the House of Representatives and the Senate. The House is composed of 163 members who are elected for two-year terms.

The budget of the House of Representatives includes funding for the members' statutory salaries; a per diem that is 80 percent of the federal per diem, now \$76; travel reimbursement of 33 cents per mile; and staff support.

#### Fiscal Year 2005 Request

- \$275,443 for pay plan.
- (24.29) staff in core reduction from Fiscal Year 2004 appropriation level.

	FY 2003 EXPENDITURE	FY 2004 APPROPRIATION	DEPARTMENT REQUEST
Salaries of Members	\$ 5,035,914	\$ 5,117,283	\$ 5,219,629
Mileage of Members	333,838	342,660	342,660
Per Diem of Members	931,978	1,083,950	1,083,950
House Contingent Expenses	10,819,692	10,541,907	10,714,665
Representatives' Expense Vouchers	1,435,123	1,564,800	1,565,139
House Revolving Fund	23,720	45,000	45,000
TOTAL	\$ 18,580,265	\$ 18,695,600	\$ 18,971,043
General Revenue Fund	18,556,545	18,650,600	18,926,043
House of Representatives Revolving Fund	23,720	45,000	45,000
Full-time equivalent employees	435.90	458.50	434.21

## **GENERAL ASSEMBLY**

### **INTERSTATE ORGANIZATIONS**

Missouri's dues to the Council of State Governments, the National Conference of State Legislatures, and the National Conference of Commissioners on Uniform State Laws are paid from these funds.

#### **Fiscal Year 2005 Request**

Continue funding at the current level.

### **COMMITTEE ON LEGISLATIVE RESEARCH**

#### **ADMINISTRATION**

In accordance with Sections 23.010 through 23.190, RSMo, a permanent joint committee of the General Assembly is established, comprised of the chair of the Senate Appropriations Committee and nine other senators, and the chair of the House Budget Committee and nine other representatives. The Committee on Legislative Research has staff support to perform the following services for the members of the General Assembly:

- Provide a research and reference service on legislative issues.
- Make investigations into legislative and governmental institutions to aid the General Assembly.
- Assist any interim legislative committee or commission created by the General Assembly.
- Draft or aid in drafting bills, resolutions, memorials, and amendments.
- Prepare fiscal notes for legislation introduced in either house of the General Assembly.
- Conduct management audits and performance audits of state agencies.
- Maintain a legislative library for a reference service to the General Assembly and public.

#### **Fiscal Year 2005 Request**

- \$20,191 for the expenses of the Subcommittee on Competition and Privatization.
- \$34,502 for pay plan.

#### **PUBLISHING REVISED STATUTES**

Article III, Section 34, of the Missouri Constitution requires a complete reprinting of the Revised Statutes of Missouri at least every ten years. Funds are provided during interim years to publish cumulative supplements to the revised statutes.

#### **Fiscal Year 2005 Request**

- \$414 statutory revision fund for pay plan.

### **INTERIM COMMITTEES**

These are statutory committees composed of members of the House and Senate and, in some cases, gubernatorial appointees.

#### **Fiscal Year 2005 Request**

Continue funding at the current level.

# DEPARTMENT OF AGRICULTURE

## FINANCIAL SUMMARY

	FY 2003 EXPENDITURE	FY 2004 APPROPRIATION	FY 2005 REQUEST	GOVERNOR RECOMMENDS FY 2005
Office of the Director	\$ 5,640,526	\$ 7,122,406	\$ 6,491,234	\$ 6,472,675
Agriculture Business Development	2,807,304	3,617,760	3,205,840	3,225,867
Market Information and Outreach	80,417	923,068	1,105,308	1,081,313
Division of Animal Health	3,173,734	4,701,512	4,813,074	5,099,291
Division of Grain Inspection and Warehousing	2,030,567	3,250,618	2,844,318	2,887,651
Division of Plant Industries	2,657,431	2,866,009	3,101,589	4,209,763
Division of Weights and Measures	2,887,559	5,721,928	4,155,953	4,618,926
Missouri State Fair	4,340,946	4,875,262	4,875,262	4,856,405
State Milk Board	1,474,454	1,911,926	1,911,926	1,897,468
DEPARTMENTAL TOTAL	\$ 25,092,938	\$ 34,990,489 *	\$ 32,504,504	\$ 34,349,359
General Revenue Fund	13,139,227	13,317,171	13,119,273	13,076,492
Federal Funds	1,367,803	5,875,382	5,326,002	5,387,459
State Fair Fees Fund	3,748,726	4,285,644	4,284,015	4,308,464
Milk Inspection Fee Fund	1,218,068	1,766,240	1,752,179	1,756,604
Grain Inspection Fee Fund	1,198,891	2,608,787	1,924,061	1,952,310
State Contracted Manufacturing Dairy Plant				
Inspection and Grading Fee Fund	0	8,000	8,000	8,000
Petroleum Inspection Fund	1,707,191	2,509,616	2,238,775	2,264,838
Petroleum Violation Escrow Fund				
Marketing Development Fund	641,594	1,540,228	1,597,177	1,599,368
Other Funds	2,071,438	3,079,421	2,255,022	3,995,824
Full-time equivalent employees	417.31	457.75	449.75	491.35

\* Does not include \$2 recommended in the Fiscal Year 2004 Supplemental Appropriations. See the Supplemental section of the Missouri Budget for details regarding the Department of Agriculture supplemental appropriations.

## POLICY SUMMARY

Governor Holden's budget for Fiscal Year 2005 provides a total of \$34.3 million for the Department of Agriculture. The department provides services for Missouri's agricultural producers, processors, and consumers of food, fuel, and fiber products. The core functions provided by the Department of Agriculture include:

- Promotion and development of Missouri's agriculture industry, including value-added businesses, both domestically and internationally.
- Protection of Missouri's livestock and domestic animals, and the businesses and citizens who rely on them.
- Inspection of Missouri's fresh fruits, vegetables, milk, feed, seed, and forest products.
- Regulation, control, and inspection of measuring devices and petroleum products.

Some measures of the health of Missouri's agricultural economy follow:

	2000	2001	2002
Missouri Net Farm Income (millions)	\$971.9	\$909.9	\$437.9
<i>(Decrease in 2002 is primarily due to drought conditions)</i>			
Cash receipts from the sale of Missouri agricultural products (billions)	\$4.725	\$4.820	\$4.402
Missouri livestock cash receipts (billions)	\$2.625	\$2.680	\$2.302
Missouri crop cash receipts (billions)	\$2.100	\$2.100	\$2.100
Value of Missouri agricultural exports (billions)	\$1.048	\$1.140	\$1.178
Missouri ethanol plant products in gallons (millions)	9.8	34.3	39.7

## **DEPARTMENT OF AGRICULTURE**

### **POLICY SUMMARY (Continued)**

#### **Enhancing the Health and Safety of Missouri's Food Supply**

In response to terrorist events in this country and to ensure a safe food supply, Missouri has made great strides in setting and implementing policies to improve detection, analysis, and surveillance of the state's livestock industry. In addition, Missouri is participating with the federal government and bordering states to address the Hypoxia issue in the Gulf of Mexico. Hypoxia, the depletion of oxygen in water caused by nitrogen fertilizers, has created a 7,000-square-mile dead zone at the base of the Mississippi in the Gulf of Mexico. All states with rivers and tributaries flowing into the Mississippi River contribute to the problem.

To protect the health and safety of the public, the Governor recommends:

- \$334,436 federal funds to enhance animal disease prevention and ensure a safe, wholesome food supply.
- \$146,302 federal funds to coordinate a Hypoxia Project to help Missouri's producers reduce nitrogen levels in water runoff.

#### **Supporting New Markets and Promoting Agriculture**

Missouri's farmers continue to seek new revenues through value-added programs. Organic products are one of the fastest growing sectors in the agricultural market and provide farmers with new avenues to expand their revenue base. Because the number of farmers is declining, attracting new entrepreneurs is imperative for the continuance of farming in Missouri.

To help promote agriculture in Missouri, the Governor recommends:

- \$127,500 other funds to operate the organic certification program authorized by HB 1348 (2002).
- \$125,000 federal and other funds for education programs directed at encouraging young and minority individuals to consider farming as a profession.
- \$9,875,000 federal and other funds for the ethanol incentive program to ensure the success of Missouri's ethanol plants. Ethanol is a major value added product benefiting the farmers, corn industry, and the environment.

#### **Improved Efficiency**

Missouri has always been a low tax state and has, therefore, provided only essential services at a very low cost. The state's already low tax level combined with two consecutive years of declining revenue have led to significant reductions in many programs. However, under Governor Holden's leadership, state agencies have minimized the negative impact on services by dramatically reducing administrative costs and by developing ways to provide remaining services in the most efficient way possible.

The Department of Agriculture has aggressively improved the services it provides and reduced administrative costs by:

- Creating a grants management system to obtain additional federal and private funding. This resulted in a 227 percent increase of federal funds from \$1.1 million in Fiscal Year 2001 to \$3.6 million in Fiscal Year 2004.
- Implementing new testing technologies and installing new software programs to better serve the state's animal industry. This initiative resulted in an increase of sample tests performed in agriculture's animal health laboratories and increased the state's ability to locate and isolate animal health issues throughout the state.
- Providing on-site grain testing and inspections, reducing expenses, and providing more timely service to customers. On-site testing eliminates the need to transport samples back to the laboratory.
- Reducing operating costs by redefining grain regulatory territories. This change eliminates most overnight travel required by department staff to audit and regulate grain depositories in Missouri. The department also converted to a new grain audit software for greater efficiency and better risk-based analysis of licensed grain dealers and warehouses.
- Switching to new gas pump testing equipment to improve productivity, enhance employee and consumer safety, and reduce the likelihood of staff injuries.



## DEPARTMENT OF AGRICULTURE

### POLICY SUMMARY (Continued)

In addition to cost cutting measures already implemented, the Department of Agriculture plans to:

- Obtain Brucellosis-Free status and reduce the number of diagnostic tests required by the federal government.
- Improve customer service by reorganizing staff to meet specific client needs and allow for more efficient and effective use of existing resources.
- Upgrade grain audit software to allow for transference of information between the central office and field auditors, thereby saving on travel and communication expenses.
- Schedule events at the Missouri State Fair to increase and diversify attendance, and implement a preventive maintenance program to reduce costly building repairs.

#### **Cuts Already Made**

The Department of Agriculture has worked to minimize the impact of reduced funding on services. However, the department's funding for services has been cut in recent years. For example:

- Grain audit staffing has declined 17 percent over the last five years. These staff protect the interests of Missouri's grain producers by licensing, bonding, and auditing all businesses that store and/or purchase grain in the state. The budget reductions are jeopardizing the program's ability to meet statutory guidelines and protect Missouri's grain producers from losses associated with insolvent grain dealers.
- The Animal Health Division closed the Northwest Veterinary Diagnostic Laboratory in Cameron at the end of Fiscal Year 2003. This facility handled the laboratory component of the State Meat and Poultry Inspection Program and provided diagnostic testing for animal diseases in Northwest Missouri.
- Total general revenue staffing has declined 14 percent over the last three years. These reductions have limited the department's ability to ensure consumer protection and improve markets for Missouri's agricultural products. For example, the department has lost over one-half of the funding for the AgriMissouri Program, which assists businesses in the development, marketing, and promotion of Missouri-made food products. In addition, the department has lost one-third of its staff that ensures the quality of feed and seed products for Missouri's livestock industry and crop producers. It has also lost one-fourth of its staff performing propane and anhydrous ammonia safety inspections at public schools, nursing homes, day care centers, and other public facilities.

## **DEPARTMENT OF AGRICULTURE**

### **OFFICE OF THE DIRECTOR**

The Office of the Director makes policy decisions on agricultural issues, sets the department's goals and priorities, and coordinates activities of the various divisions to achieve those goals. The Office of the Director includes administrative functions such as human resources, fiscal services, public information, information technology, and statistical services. The Director's Office also administers the Ethanol Producer Incentive Program and the National Tobacco Growers Phase II Settlement Program.

#### **Fiscal Year 2005 Governor's Recommendations**

- \$363,245 federal and other funds for replacement vehicles for regulatory divisions.
- \$25,015 for pay plan, including \$19,471 general revenue.
- \$74,421 and two staff reallocated from the Division of Animal Health, including \$32,037 general revenue.
- (\$1,023,520) federal and other funds for one-time expenditures.
- (\$45,318) and (one) staff reallocated to the Division of Market Information and Outreach.
- (\$43,574) and (two) staff in core reduction from the Fiscal Year 2004 appropriation level.

### **DIVISION OF AGRICULTURE BUSINESS DEVELOPMENT**

The Agriculture Business Development Division (ABD) increases the profitability of Missouri's farmers and agribusinesses by increasing international and domestic sales of agricultural products that are produced or processed in Missouri. The division provides six specific services: (1) business counseling, (2) domestic marketing assistance, (3) international marketing assistance, (4) industry facilitation, (5) product promotion, and (6) financial programs. The first five of these services are administered through the Business Services Program of ABD. Financial programs are administered through the Missouri Agriculture and Small Business Development Authority (MASBDA), which is governed by an independent board. MASBDA administers loans, loan guarantees, grants, and tax credits aimed at increasing the profitability of Missouri's farmers.

ABD staff are assigned to at least one of five customer teams: (1) Crops and Timber (also includes forages, feed ingredients, biomass and biofuels); (2) Livestock (also includes meat products and dairy); (3) Horticulture and Agritourism (also includes farmers markets); (4) Food Products; and (5) Grape and Wine (which administers the Grape and Wine program that is governed by an independent board). These teams work closely with commodity organizations and other industry partners to develop and implement strategies that meet client needs in each agricultural sector.

ABD also administers the AgriMissouri branding initiative which promotes products that are produced or processed in Missouri through a variety of marketing channels, including retail, restaurant, schools, institutions, and direct-to-consumer marketing. Over 500 Missouri businesses are members of AgriMissouri. Members of the Commission on the Marketing of Missouri Agricultural Products serve as advisors to the department's AgriMissouri marketing efforts.

#### **Fiscal Year 2005 Governor's Recommendations**

- \$1 on an open-ended basis for loan guarantees made under the Single-Purpose Animal Facilities Loan Guarantee Program.
- \$1 on an open-ended basis for loan guarantees made under the Missouri Value-Added Loan Guarantee Program.
- \$20,510 for pay plan, including \$14,084 general revenue.
- (\$400,483) in core reduction from the Fiscal Year 2004 appropriation level, including (\$483) general revenue.
- (\$11,922) reallocated to the Division of Market Information and Outreach, including (\$3,922) general revenue.

## **DEPARTMENT OF AGRICULTURE**

### **DIVISION OF MARKET INFORMATION AND OUTREACH**

The Division of Market Information and Outreach includes the Market News Program and the Education and Outreach Program. The Market News Program provides timely and unbiased price information that enables producers to make sound marketing decisions. Field market news reporters report market prices from throughout Missouri. This information is made available to the public daily through the Internet, media (including radio and newspapers), automated telephone reports, and the Weekly Market Summary.

The Education and Outreach Program provides targeted, high-quality information about agriculture and department services to urban, rural, and non-farm audiences. One example is the *Show Me Agriculture* magazine that is designed to meet Missouri's Show Me standards for fourth grade students and is used by more than 1,000 teachers and 25,000 fourth graders throughout the state. The program also encourages young men and women to pursue agricultural careers through programs such as the Missouri Agribusiness Academy and scholarship programs. The program also provides coordination and support for trade shows and conferences within and outside of the agricultural community. Examples include the Governor's Conference on Agriculture, Evening with AgriMissouri, Missouri Pork Expo, Agriculture Commodity Classic, State Fair, and other events.

#### **Fiscal Year 2005 Governor's Recommendations**

- \$125,000 federal and other funds to maximize federal spending authority for grants.
- \$12,490 for pay plan, including \$9,523 general revenue.
- \$45,318 and one staff reallocated from the Office of The Director.
- \$11,922 reallocated from the Division of Agriculture Business Development, including \$3,922 general revenue.
- .75 staff reallocated from the Division of Grain Inspection and Warehousing.
- (\$36,485) and (.90) staff in core reduction from the Fiscal Year 2004 appropriation level.

### **DIVISION OF ANIMAL HEALTH**

The Division of Animal Health implements regulations and programs to protect Missouri's livestock, poultry, and other domestic animals from dangerous, infectious, or contagious diseases. This includes enforcement of regulations as required under Section 267.230, RSMo, which gives the director of the Department of Agriculture the authority to designate certain employees to intercept, stop, or detain for official inspection any vehicle carrying livestock in the state. Through control and elimination of diseases and diseased animals, the division enables Missouri's livestock and poultry to remain eligible for interstate and international export marketing. Diagnostic laboratories are maintained in Jefferson City and Springfield, and additional professional services are contracted for with the University of Missouri-Columbia College of Veterinary Medicine.

The Division's Meat and Poultry Inspection Program works with producers to promote, protect, and develop the agricultural interests of Missouri processed meat products. This program helps livestock and poultry producers add value to their operations and capture additional profits from their meat products. To ensure the health and well being of companion animals sold in Missouri, the division also licenses and inspects animal shelters, dog pounds, boarding kennels, commercial kennels, contract kennels, and pet shops.

#### **Fiscal Year 2005 Governor's Recommendations**

- \$334,436 federal funds and one staff to maximize federal spending authority for Homeland Security and disease prevention grants.
- \$237,061 other funds and four staff to continue operation of animal health programs, using fee funds.
- \$38,850 federal funds and one staff for the Homeland Security program.
- \$22,000 other funds to enhance the animal care facility program.
- \$50,439 for pay plan, including \$34,361 general revenue.
- (\$125,381) for one-time expenditures, including (\$65,912) general revenue.
- (\$85,205) and (three) staff in core reductions from Fiscal Year 2004 appropriation level.
- (\$74,421) and (two) staff reallocated to the Office of the Director, including (\$32,037) general revenue.

## **DEPARTMENT OF AGRICULTURE**

### **DIVISION OF GRAIN INSPECTION AND WAREHOUSING**

The Division of Grain Inspection and Warehousing operates four programs to assist Missouri grain farmers and agribusinesses. The Grain Regulatory Services Program enforces the provisions of the Grain Warehouse Law, Chapter 411, RSMo, and the Grain Dealers Law, Section 276.401-276.581, RSMo, to ensure grain producers that license grain warehouses and grain dealers are reputable businesses in sound financial condition.

The Grain Inspection Services Program provides official inspection and weighing of grain upon request to assist both grain farmers and grain businesses in the marketing of Missouri's corn, soybean, wheat, and other grain crops. The program covers all costs of operation by charging fees for services performed, which are deposited in the grain inspection fee fund.

The division also administers the state's Certified Agricultural Mediation Program (CAMP), which mediates disputes between Missouri farmers and USDA agencies, and the Commodity Merchandising Program, which provides centralized administration for the collection and distribution of fees for nine commodity check-off programs.

#### **Fiscal Year 2005 Governor's Recommendations**

- \$36,012 other funds and one staff for reinstatement of a position lost to early retirement reductions.
- \$43,827 for pay plan, including \$13,614 general revenue.
- (\$436,506) and (5.25) staff in core reductions from Fiscal Year 2004 appropriation level, including (\$494) general revenue.
- (\$6,300) federal funds for one-time expenditures.
- (.75) staff reallocated to the Division of Market Information and Outreach.

### **DIVISION OF PLANT INDUSTRIES**

The Division of Plant Industries operates six programs and two laboratories serving Missouri agriculture. The Feed and Seed Program performs sampling and laboratory analyses of crop seeds and commercial feeds to ensure that they meet requirements for accurate labeling. Inspections are also conducted to ensure good manufacturing practices are followed and that prohibited mammalian protein is not formulated into feed rations to help prevent the dissemination of BSE (Mad Cow Disease).

The Pesticide Control Program promotes the safe use of pesticides by licensing private and commercial applications, conducting field inspections, conducting investigations of pesticide misuse, and ensuring the proper registration of pesticides. The Plant Pest Control Program conducts inspections of nurseries, greenhouses, and other plant products to prevent the introduction and dissemination of insect, disease, and noxious weed pests that could be detrimental to plants and crops. Phytosanitary certification inspections are also conducted for plant materials being exported to other states and countries.

The Integrated Pest Management Program (IPM) promotes effective alternative strategies to traditional pest control through the use of biological control agents, pest resistant varieties, and adoption of improved cultural practices. The IPM Program also administers the Boll Weevil Eradication Program and the Organic Certification Program. The Forest Resources and Weed Control Program inspects treated wood products to ensure that minimum preservation standards are met and assists county weed control boards in the control and eradication of Johnson grass, a noxious weed. The Fresh Fruit and Vegetable Inspection Program performs shipping point and terminal market inspections of fresh produce to facilitate the sale of Missouri grown produce and ensure the quality of produce sold to consumers.

#### **Fiscal Year 2005 Governor's Recommendations**

- \$600,000 other funds and 16 staff to continue operations of the feed and seed program using fee funds.
- \$470,555 other funds and 12 staff to continue operations of the plant industries program using fee funds.
- \$177,302 federal funds to maximize federal spending authority for multi-state cooperative to reduce nitrogen in rivers and their tributaries.
- \$127,500 other funds and .25 staff for enhancing the organic certification program.
- \$38,809 for pay plan, including \$30,411 general revenue.
- (\$61,046) and (two) staff in core reductions from Fiscal Year 2004 appropriation level.
- (\$9,366) other funds for one-time expenditures.

## **DEPARTMENT OF AGRICULTURE**

### **DIVISION OF WEIGHTS AND MEASURES**

The Division of Weights and Measures operates four regulatory programs and two laboratories to fulfill its goal of protecting consumers. The Device and Commodity Program inspects livestock market, grain elevator, vehicle, and small retail scales and scanning devices to ensure their accuracy. In addition, milk sales practices are monitored and shell eggs are inspected for quality.

The Petroleum/Propane/Anhydrous Ammonia Program protects consumers against inaccurate and unsafe gasoline pumps and unsafe practices by the retailer. They also inspect public institutions, commercial facilities, mobile homes that store and use propane, and LPG-converted vehicles (including school buses) to protect lives and property from fire and explosions. In addition, they approve propane gas dispenser meters to prevent overcharges on fuel bills and oversee anhydrous ammonia fertilizer installations for safety.

The division's Metrology Laboratory certifies volume and weight standards used by service company repair technicians; maintains all mass, volume, and length standards used by industry; and certifies all weighing and measuring devices used by the division's inspectors. In addition, the Moisture Meter Program protects Missouri farmers against unjustified discounts on grain sales due to inaccurate moisture content values.

The Fuel Quality Program and laboratory collect samples and perform chemical analyses on gasoline, diesel fuel, heating oil, and other fuels to ensure that octane and other quality specifications are met.

#### **Fiscal Year 2005 Governor's Recommendations**

- \$415,880 other funds and 15 staff to continue operations of the weights and measures program using fee funds.
- \$48,158 for pay plan, including \$21,129 general revenue.
- (\$1,228,125) and (one) staff in core reductions from Fiscal Year 2004 appropriation level, including (\$28,125) general revenue.
- (\$338,915) other funds for one-time expenditures.

# DEPARTMENT OF AGRICULTURE

## MISSOURI STATE FAIR

The Missouri State Fair is held annually in August on the state fairgrounds in Sedalia. The fair provides a showcase for livestock, agricultural products, commercial exhibits, and other displays. In addition, the fair offers a variety of entertainment and educational events. The fairgrounds also are available during the rest of the year for various types of exhibits, sales, meetings, and entertainment.

### Fiscal Year 2005 Governor's Recommendations

- \$45,189 for pay plan, including \$20,953 general revenue.
- (\$64,046) and (1.5) staff in core reductions from Fiscal Year 2004 appropriation level.

	FY 2003 EXPENDITURE	FY 2004 APPROPRIATION	GOVERNOR RECOMMENDS FY 2005
State Fair Administration	\$ 4,340,946	\$ 4,875,262	\$ 4,856,405
DIVISIONAL TOTAL	\$ 4,340,946	\$ 4,875,262	\$ 4,856,405
PERSONAL SERVICE			
General Revenue Fund	589,574	597,762	554,669
State Fair Fees Fund	772,537	1,019,942	1,044,178
EXPENSE AND EQUIPMENT			
General Revenue Fund	15,534	0	0
State Fair Fees Fund	2,942,476	3,194,068	3,194,068
State Fair Trust Fund	2,165	10,000	10,000
PROGRAM SPECIFIC DISTRIBUTION			
State Fair Fees Fund	18,660	53,490	53,490
TOTAL	\$ 4,340,946	\$ 4,875,262	\$ 4,856,405
General Revenue Fund	605,108	597,762	554,669
State Fair Fees Fund	3,733,673	4,267,500	4,291,736
State Fair Trust Fund	2,165	10,000	10,000
Full-time equivalent employees	59.60	61.75	60.25

## **DEPARTMENT OF AGRICULTURE**

### **STATE MILK BOARD**

The State Milk Board inspects, samples, and tests milk and milk products ensuring that they are wholesome and safe for consumption. The board operates both a Grade A milk program and a manufacturing grade program to ensure milk quality. An inspection fee of five cents per one hundred pounds of Grade A milk is assessed and deposited in the milk inspection fee fund to cover all costs of the Grade A program. The manufacturing grade program, which ensures sanitation and quality standards for milk used only for manufacturing dairy products (e.g. cheese, butter, and ice cream), is funded from general revenue because inspection fees have not been assessed on manufacturing grade milk producers. Approximately one-half of all Grade A milk is consumed as fluid milk with the remainder used for manufacturing purposes.

#### **Fiscal Year 2005 Governor's Recommendations**

- \$6,621 for pay plan, including \$2,222 general revenue.
- (\$21,079) and (one) staff in core reductions from Fiscal Year 2004 appropriation level.

# DEPARTMENT OF CONSERVATION

## FINANCIAL SUMMARY

	FY 2003 EXPENDITURE	FY 2004 APPROPRIATION	FY 2005 REQUEST	GOVERNOR RECOMMENDS FY 2005
Personal Service	\$ 68,120,398	\$ 71,507,162	\$ 72,541,315	\$ 73,856,563
Expense and Equipment	42,595,437	52,160,411	55,860,411	55,860,411
Program Specific Distribution	3,989,439	3,283,465	3,283,465	3,283,465
<b>TOTAL</b>				
Conservation Commission Fund	\$ 114,705,274	\$ 126,951,038	\$ 131,685,191	\$ 133,000,439
Full-time equivalent employees	1,742.20	1,871.61	1,871.61	1,871.61

## POLICY SUMMARY

Governor Holden's budget for Fiscal Year 2005 provides a total of \$133 million for the Department of Conservation. The department provides services to manage, restore, conserve, and regulate the bird, fish, game, forests, and all other wild resources in the state. The core functions provided by the Department of Conservation include:

- Preserving and restoring the state's biodiversity.
- Informing, educating, and surveying the public about conservation.
- Helping landowners manage their land for sustainable resources.
- Managing public land for public use.
- Integrating conservation principles into urban lifestyles.

Following are some performance measures the Department of Conservation uses to evaluate its goals of protecting Missouri's fish, forest, and wildlife.

	2001	2002	2003
Number of acres of Conservation land available (fee title)	771,630	774,040	775,476
Number of acres designated as Missouri natural areas	54,378	56,300	56,300
Number of hunting and fishing permit holders	1,410,892	1,407,299	1,385,217
Number of visitors to nature centers/interpretive sites	780,000	850,000	925,000
Number of Stream Team members	35,250	40,820	47,800
Number of people receiving hunter certification	29,895	33,685	33,685
Number of stream and lake motor boat accesses	247	252	305
Number of training center users	81,350	79,180	93,820
Number of youth participating in youth-only hunts	5,413	10,470	32,227

### Improved Efficiency

Missouri has always been a low tax state and has, therefore, provided only essential services at a very low cost. The state's already low tax level combined with two consecutive years of declining revenue have led to significant reductions in many programs. However, under Governor Holden's leadership, state agencies have minimized the negative impact on services by dramatically reducing administrative costs and by developing ways to provide remaining services in the most efficient way possible.

During the past two fiscal years, the Department of Conservation has aggressively improved the services it provides and reduced administrative costs by:

- Tasking employees to evaluate every program offered by the department to determine relative effectiveness, ongoing need, and duplications of effort.
- Downsizing administrative staff. The department reduced management regions from ten to eight, eliminated nine management positions in Jefferson City, consolidated two divisions, and eliminated two positions in the director's office.
- Reducing the number of fleet vehicles by 50 and instituting a new fleet management system.
- Creating a Voluntary Payroll Reduction Program (VPRP) in which over 90 employees, who were eligible for retirement, retired.
- Slashing out-of-state travel by 30 percent and reducing employee in-state travel and meal expenses.



## **DEPARTMENT OF CONSERVATION**

In addition to cost cutting measures already implemented, the Department of Conservation plans to:

- Reduce future capital expenditures by focusing on infrastructure maintenance.
- Implement efficiencies in fiscal operations, including vendor payment processing, use of purchasing cards, and elimination of duplicate data entry.
- Continue reviewing programs offered by the department to ensure that available dollars are used the best way to meet the needs of the citizens of the state.

### **Fiscal Year 2005 Governor's Recommendations**

- \$3,000,000 conservation commission funds for area management and maintenance.
- \$1,034,153 conservation commission funds for increased health insurance costs.
- \$700,000 conservation commission funds for equipment and expense to provide technical assistance to landowners in conjunction with the 2002 federal farm bill.
- \$1,315,248 conservation commission funds for pay plan.

# DEPARTMENT OF CORRECTIONS

## FINANCIAL SUMMARY

	FY 2003 EXPENDITURE	FY 2004 APPROPRIATION	FY 2005 REQUEST	GOVERNOR RECOMMENDS FY 2005
Office of the Director	\$ 99,042,889	\$ 81,918,568	\$ 82,077,602	\$ 81,993,705
Division of Human Services	9,593,030	11,309,666	11,961,267	12,166,278
Division of Adult Institutions	207,789,495	257,815,306	251,268,900	259,041,227
Division of Offender Rehabilitative Services	125,807,495	144,408,330	150,217,392	150,181,093
Board of Probation and Parole	74,212,862	79,029,742	79,088,999	82,142,280
DEPARTMENTAL TOTAL	\$ 516,445,771	\$ 574,481,612 *	\$ 574,614,160	\$ 585,524,583
General Revenue Fund	480,879,881	522,561,102	524,425,336	535,180,307
Federal Funds	4,519,330	8,972,901	7,727,435	7,770,096
Working Capital Revolving Fund	26,950,171	38,386,520	37,954,432	38,137,377
Inmate Revolving Fund	4,013,889	4,213,989	4,159,857	4,172,203
Crime Victims' Compensation Fund	82,500	82,500	82,500	0
Correctional Substance Abuse Earnings Fund	0	264,600	264,600	264,600
Full-time equivalent employees	11,929.29	11,989.89	11,772.39	11,798.91

\* Does not include \$51,246 recommended in the Fiscal Year 2004 Supplemental Appropriations. See the Supplemental section of the Missouri Budget for details regarding the Department of Corrections supplemental appropriations.

## POLICY SUMMARY

Governor Holden's budget for Fiscal Year 2005 provides a total of \$585.5 million for the Department of Corrections. The Department provides secure facilities for separating criminals from Missouri's law-abiding population and promotes the safe and successful reintegration of former offenders back into lawful society. The core functions provided by the Department of Corrections promote the safety of Missourians through:

- Containment of offenders that require imprisonment.
- Supervision of offenders who have served their terms and are being reintroduced back into society.
- Supervision of offenders who have been assigned probation in the community.
- Rehabilitation of both incarcerated offenders and those who are being supervised in the community.

### Maintaining Public Safety with Efficiency

The oldest prison west of the Mississippi, the Missouri State Penitentiary, will be closed in Fiscal Year 2005. The sprawling facility had become too costly to operate and has been replaced with a new Jefferson City Correctional Center. With continued budget pressures, it has become necessary to close another inefficient prison. The Chillicothe Correctional Center will be closed and its 525 women offenders will be moved to space in the Tipton Correctional Center. The Chillicothe facility was opened in 1895 as a juvenile detention facility. An assortment of buildings were added through the early 1900s and in 1981 the facility was converted to a correctional center for women offenders. Now, there are looming repair and renovation costs of \$9.7 million. In addition, savings from operating costs in Fiscal Year 2005 will total \$1.7 million, with additional savings in Fiscal Year 2006 of \$1.2 million. Some additional costs will be incurred because of the move, and living within Missouri's existing prison space may be a challenge.

During the last five years, that included two consecutive years of declining revenue, Missouri's inmate population ballooned by more than 22 percent. Missouri state government must continue to meet its obligations to its citizens while living within its means. Therefore, the Department of Corrections is taking active steps to improve management of its offender population in a manner that reduces incarceration costs while still maintaining public safety. One driver of offender population growth is offenders who re-offend while on parole and are re-incarcerated. To reduce incidents of re-offending, the Department of Corrections is placing increased emphasis in the following areas:

- Better training for probation and parole staff.
- Enhanced case management of parolees.
- Increased use of performance data to identify areas of the state with high return-to-prison rates so improvements can be made in these areas.

Furthermore, the Board of Probation and Parole has improved its analysis of prospective parolees to better determine which offenders are the most likely to re-offend. Due to the efforts of the Board and the department as a whole, growth of the offender population has

## DEPARTMENT OF CORRECTIONS

### POLICY SUMMARY (Continued)

decreased from 4.56 offenders per day in Fiscal Year 2002 to 1.39 offenders per day in Fiscal Year 2003. Also, the department will actively participate in the implementation of Senate Bill 5 (2003), which further promotes the use of community supervision for non-violent offenders who are unlikely to re-offend. Even with these efforts, Missouri's prison population is expected to grow from 30,320 in Fiscal Year 2004 to 32,844 in Fiscal Year 2005.

Offenders must be prepared to live within the rules of a lawful society if they are to be eventually released. Some performance measures the Department of Corrections uses to evaluate its efforts at holding offenders accountable:

	2001	2002	2003
Percentage of incarcerated offenders with a High School Diploma or GED	62%	63%	59%
Percentage of incarcerated offenders testing positive for substance abuse	2.3%	2.2%	2.1%
Percentage of probationers/parolees testing positive for substance abuse	17.0%	22.9%	23.2%
Percentage of offenders under community supervision who are employed at a rate consistent with their local community	78.99%	76.38%	74.29%
Number of community service hours completed by offenders	324,401	349,566	377,565

### Improved Efficiency

Missouri has always been a low tax state and has, therefore, provided only essential services at a very low cost. The state's already low tax level combined with two consecutive years of declining revenue have led to significant reductions in many programs. However, under Governor Holden's leadership, state agencies have minimized the negative impact on services by dramatically reducing administrative costs and by developing ways to provide remaining services in the most efficient way possible.

The Department of Corrections has aggressively improved the services it provides and reduced administrative costs by:

- Consolidating administrative functions throughout the department, resulting in a reduction of \$628,123 and 15 staff.
- Changing the education staff shifts in the institutions to four, ten-hour shifts per week allowing the elimination of evening GED classes while still serving the same number of offenders. This change saved the state approximately \$200,000 per year.
- Establishing a printer cartridge recycling program within Missouri Vocational Enterprises. The Department of Social Services estimates this program has saved them \$200,000 per year.

In addition to cost cutting measures already implemented, the Department of Corrections plans to:

- Pilot a waste food composting program in the institutions to reduce the costs of waste disposal.
- Perform a comprehensive examination of the probation and parole system to determine where efficiencies can be generated through the use of technology.
- Continue piloting a program for 12-hour shifts at the institutions.
- Continue to participate in the Transition from Prison to Community Initiative to discourage recidivism and reduce the need for new prison construction.
- Implement a review of parole violator processing to reduce the time of determining the status of parole violators.

### Cuts Already Made

The Department of Corrections has worked to minimize the impact of reduced funding on services. However, the department's funding for services has been cut in recent years. For example:

- 88 institutional staff positions were eliminated including cooks, caseworkers, teachers and maintenance staff. These reductions put greater strains on the correctional officers who supervise the inmates as more of their efforts must be directed to covering the duties of the eliminated positions.
- 8 institutional chaplains were eliminated, reducing the amount of religious counseling and services available to offenders.
- 31 probation and parole staff were cut, reducing offender supervision resources.

**DEPARTMENT OF CORRECTIONS  
OFFICE OF THE DIRECTOR**

**FINANCIAL SUMMARY**

	FY 2003 EXPENDITURE	FY 2004 APPROPRIATION	FY 2005 REQUEST	GOVERNOR RECOMMENDS FY 2005
Office of the Director (Staff)	\$ 2,785,244	\$ 3,350,450	\$ 3,493,432	\$ 3,463,711
Federal Programs	4,083,087	8,441,077	7,227,434	7,270,095
Inmate Revolving Fund Programs	654,631	0	0	0
Fuel and Utilities	20,861,986	22,541,796	22,255,370	22,138,106
Fuel and Utilities/Board of Public Buildings	2,568,741	2,568,750	3,366,074	3,366,074
Food Purchases	23,650,242	24,815,372	25,694,175	25,694,175
Public School Retirement	0	1,792	1,792	1,792
Population Growth Pool	35,343,796	11,226,091	10,427,040	10,477,040
Information Systems	6,326,817	5,879,722	6,293,767	6,264,194
Telecommunications	2,768,345	3,093,518	3,318,518	3,318,518
OFFICE OF THE DIRECTOR TOTAL	\$ 99,042,889	\$ 81,918,568	\$ 82,077,602	\$ 81,993,705
PERSONAL SERVICE				
General Revenue Fund	26,420,788	8,963,439	9,286,617	9,386,314
Federal Funds	1,657,631	2,133,025	2,133,025	2,175,686
Inmate Revolving Fund	614,776	0	0	0
EXPENSE AND EQUIPMENT				
General Revenue Fund	66,854,841	62,175,152	63,224,651	63,080,896
Federal Funds	2,861,699	6,808,052	5,594,409	5,594,409
Working Capital Revolving Fund	510,799	1,756,400	1,756,400	1,756,400
Inmate Revolving Fund	39,855	0	0	0
Crime Victims' Compensation Fund	82,500	82,500	82,500	0
TOTAL	\$ 99,042,889	\$ 81,918,568	\$ 82,077,602	\$ 81,993,705
General Revenue Fund	93,275,629	71,138,591	72,511,268	72,467,210
Federal Funds	4,519,330	8,941,077	7,727,434	7,770,095
Working Capital Revolving Fund	510,799	1,756,400	1,756,400	1,756,400
Inmate Revolving Fund	654,631	0	0	0
Crime Victims' Compensation Fund	82,500	82,500	82,500	0
Full-time equivalent employees	1,154.76	203.53	212.53	212.53

## DEPARTMENT OF CORRECTIONS

### OFFICE OF THE DIRECTOR (Continued)

The director of the Department of Corrections provides guidance, coordination, and control of the four departmental divisions: Human Services, Adult Institutions, Offender Rehabilitative Services, and the Board of Probation and Parole. The Office of the Director consists of the Director's Office, the Deputy Director's Office, Public Information, Office of Constituent Services, and Legal Services. Department-wide appropriations centralized at this level include inmate fund programs, telecommunications, fuel and utilities, food, inmate wage and discharge fund, security staff, the institutional expense and equipment pool, and federal programs.

#### Fiscal Year 2005 Governor's Recommendations

- \$1,200,898 for increased fuel and utilities costs.
- \$878,803 for continued food cost .
- \$142,358 for pay plan, including \$99,697 general revenue.
- \$600,269 and four staff reallocated from the Division of Adult Institutions.
- \$287,562 and eight staff reallocated from the Division of Rehabilitative Services.
- (\$2,336,877) and (three) staff in core reduction from the Fiscal Year 2004 appropriation level, including (\$1,048,610) general revenue.
- (\$697,876) for one-time expenditures, including (\$690,000) general revenue.

## **DEPARTMENT OF CORRECTIONS**

### **DIVISION OF HUMAN SERVICES**

The Division of Human Services consists of Training, Employee Health and Safety, Human Resources, Budget and Planning, Fiscal Management, General Services, and Religious and Spiritual Programs. Training is responsible for training new staff and upgrading training for present staff. Employee Health and Safety consists of activities involving infectious disease control, wellness programs, and other items that relate to employee morale and well-being. Human Resources coordinates hiring, promotions, and discipline in all four divisions to ensure that professional and equitable treatment is available to all employees. Budget and Planning ensures that long- and short-term budgetary and strategic planning needs are identified and addressed. Fiscal management carries out the department's day-to-day financial operations. General Services coordinates food and construction services. Chaplains and volunteers are supervised by Religious and Spiritual Programs.

#### **Fiscal Year 2005 Governor's Recommendations**

- \$212,464 for pay plan, including \$204,833 general revenue.
- \$1,798,250 and 49 staff reallocated from the Division of Adult Institutions.
- \$148,225 and seven staff reallocated from the Division of Probation and Parole.
- \$72,362 and two staff reallocated from the Division of Offender Rehabilitation.
- (\$1,291,816) for one-time expenditures, including (\$1,259,993) general revenue.
- (\$82,873) and (two) staff in core reduction from the Fiscal Year 2004 appropriation level.

**DEPARTMENT OF CORRECTIONS  
DIVISION OF ADULT INSTITUTIONS**

**FINANCIAL SUMMARY**

	FY 2003 EXPENDITURE	FY 2004 APPROPRIATION	FY 2005 REQUEST	GOVERNOR RECOMMENDS FY 2005
Central Office	\$ 1,895,450	\$ 1,989,591	\$ 2,090,565	\$ 2,145,537
Comp Time Payments	2,938,963	0	0	0
Wage and Discharge Costs	3,627,158	3,757,194	3,890,250	3,890,250
Institutional E&E Pool	17,549,343	18,360,780	19,296,875	18,970,729
Jefferson City Correctional Center	16,083,660	18,955,620	17,078,392	18,497,652
Central Missouri Correctional Center	6,983,516	7,852,694	7,875,347	8,139,895
Women's Eastern Reception & Diagnostic Correctional Center	10,281,010	10,755,766	10,714,044	11,036,839
Ozark Correctional Center	4,238,010	4,739,178	4,639,240	4,785,825
Moberly Correctional Center	10,049,625	10,790,827	10,823,513	11,186,670
Algoa Correctional Center	7,733,975	8,498,626	8,665,886	8,950,441
Missouri Eastern Correctional Center	5,994,140	6,768,957	6,835,724	7,054,760
Chillicothe Correctional Center	3,769,000	4,199,420	4,187,888	2,592,584
Boonville Correctional Center	7,617,835	8,335,631	8,260,634	8,529,827
Farmington Correctional Center	13,608,967	14,827,447	14,790,835	15,771,424
Farmington Correctional Center/ Board of Public Buildings	1,297,690	1,440,041	1,404,797	1,429,382
Farmington Boot Camp	584,793	659,458	659,458	0
Western Missouri Correctional Center	13,527,439	15,490,928	13,923,232	16,173,176
Potosi Correctional Center	8,684,863	9,306,791	9,248,485	9,548,361
Fulton Reception & Diagnostic Correctional Center	8,294,102	8,464,337	8,435,014	8,710,745
FRDCC/Board of Public Buildings	554,785	629,078	539,049	548,859
Tipton Correctional Center	9,554,842	10,282,514	10,242,640	10,578,783
Western Reception & Diagnostic Correctional Center	14,151,124	15,273,749	15,220,302	15,721,689
Maryville Treatment Center	5,754,294	6,305,394	6,251,808	6,449,224
Crossroads Correctional Center	9,559,206	10,392,676	10,375,160	10,722,069
Northeast Correctional Center	13,275,392	14,302,224	14,259,122	14,717,621
Eastern Reception & Diagnostic Correctional Center	72,473	22,670,021	19,823,121	20,449,354
South Central Correctional Center	10,107,840	10,921,553	10,762,955	11,110,443
Southeast Missouri Correctional Center	0	11,844,811	10,974,564	11,329,088
<b>DIVISIONAL TOTAL</b>	<b>\$ 207,789,495</b>	<b>\$ 257,815,306</b>	<b>\$ 251,268,900</b>	<b>\$ 259,041,227</b>
<b>PERSONAL SERVICE</b>				
General Revenue Fund	185,543,861	232,318,533	226,697,504	234,911,401
Working Capital Revolving Fund	417,542	467,162	467,162	486,035
Inmate Revolving Fund	153,873	406,540	373,828	374,030
<b>EXPENSE AND EQUIPMENT</b>				
General Revenue Fund	21,674,219	24,623,071	23,730,406	23,269,761
<b>TOTAL</b>	<b>\$ 207,789,495</b>	<b>\$ 257,815,306</b>	<b>\$ 251,268,900</b>	<b>\$ 259,041,227</b>
General Revenue Fund	207,218,080	256,941,604	250,427,910	258,181,162
Working Capital Revolving Fund	417,542	467,162	467,162	486,035
Inmate Revolving Fund	153,873	406,540	373,828	374,030
<b>Full-time equivalent employees</b>	<b>7,823.84</b>	<b>8,703.17</b>	<b>8,450.67</b>	<b>8,481.84</b>

## DEPARTMENT OF CORRECTIONS

### DIVISION OF ADULT INSTITUTIONS (Continued)

#### Fiscal Year 2005 Governor's Recommendations

- \$853,855 for institutional expense and equipment cost to continue.
- \$133,056 for continued wage and discharge cost.
- \$7,379,501 for pay plan, including \$7,350,172 general revenue.
- \$32,918 and one staff reallocated from the Division of Offender Rehabilitative Services.
- (\$2,606,871) and (135.33) staff in core reduction from the Fiscal Year 2004 appropriation level, including (\$2,563,905) general revenue.
- (\$1,798,250) and (49) staff reallocated to the Division of Human Resources.
- (\$1,292,521) and (12) staff for one-time expenditures.
- (\$686,594) and (18) staff reallocated to the Division of Probation and Parole.
- (\$600,269) and (four) staff reallocated to the Office of the Director.
- (\$188,904) and (four) staff reallocated to the Division of Offender Rehabilitative Services.



# DEPARTMENT OF CORRECTIONS

## DIVISION OF ADULT INSTITUTIONS (Continued)

Missouri Prison Population: December 30, 2003

<b>Male Institutional</b>	<b><u>Capacity</u></b>	<b><u>Population</u></b>	<b><u>Vacancies</u></b>
Algoa Correctional Center	1,565	1,323	242
Boonville Correctional Center, including 200 Tents	1,256	1,025	231
Northeast Correctional Center	1,985	1,953	32
Western Missouri Correctional Center	1,975	1,956	19
Central Missouri Correctional Center	1,000	860	140
Crossroads Correctional Center	1,500	1,475	25
Eastern Reception and Diagnostic Correctional Center	2,684	1,782	902
Farmington Correctional Center	2,307	2,260	47
Fulton Reception and Diagnostic Center	1,272	1,297	(25)
Kansas City Community Release Center	250	249	1
South Central Correctional Center	1,596	1,504	92
Missouri Eastern Correctional Center	1,100	1,027	73
Moberly Correctional Center	1,800	1,790	10
Missouri State Penitentiary	1,938	1,821	117
Ozark Correctional Center	650	622	28
Ozark Correctional Center - Camp Hawthorne	45	39	6
Potosi Correctional Center	792	773	19
Southeast Missouri Correctional Center	1,596	1,529	67
Western Reception and Diagnostic Correctional Center	1,339	1,308	31
St. Louis Community Release Center	450	429	21
Tipton Correctional Center	1,088	976	112
<b>Male Institutional Total</b>	<b>28,188</b>	<b>25,998</b>	<b>2,190</b>
<b>Male Treatment</b>			
Boonville Treatment Center	60	53	7
Biggs	20	2	18
Farmington Boot Camp	50	46	4
Cremer (Treatment)	180	163	17
Farmington Treatment Center	275	237	38
Maryville Treatment Center	525	518	7
Mineral Area Treatment Center	100	79	21
Western Reception and Diagnostic Correctional Center	595	574	21
<b>Male Treatment Total</b>	<b>1,805</b>	<b>1,672</b>	<b>133</b>
<b>TOTAL MALE CAPACITY AND POPULATION</b>	<b>29,993</b>	<b>27,670</b>	<b>2,323</b>
<b>Female</b>			
Biggs	10	0	10
Chillicothe Correctional Center	525	517	8
Kansas City Community Release Center	50	36	14
St. Louis Community Release Center	50	55	(5)
Women's Eastern Reception and Diagnostic Correctional Center	1,776	1,592	184
<b>TOTAL FEMALE CAPACITY AND POPULATION</b>	<b>2,411</b>	<b>2,200</b>	<b>211</b>
<b>TOTAL POPULATION</b>	<b>32,404</b>	<b>29,870</b>	<b>2,534</b>

**DEPARTMENT OF CORRECTIONS  
DIVISION OF OFFENDER REHABILITATIVE SERVICES**

**FINANCIAL SUMMARY**

	FY 2003 EXPENDITURE	FY 2004 APPROPRIATION	FY 2005 REQUEST	GOVERNOR RECOMMENDS FY 2005
Central Office	\$ 1,753,323	\$ 1,842,691	\$ 1,910,533	\$ 1,946,410
Medical Services	78,506,900	83,664,227	89,699,125	89,777,509
Medical Equipment	191,867	244,000	750,000	393,852
Education and Treatment Services	20,247,251	24,315,175	23,874,397	23,936,503
Vocational Enterprises	25,108,154	33,379,475	33,020,575	33,164,057
Prison Industry Enhancement	0	962,762	962,762	962,762
<b>DIVISIONAL TOTAL</b>	<b>\$ 125,807,495</b>	<b>\$ 144,408,330</b>	<b>\$ 150,217,392</b>	<b>\$ 150,181,093</b>
<b>PERSONAL SERVICE</b>				
General Revenue Fund	13,938,734	17,465,067	17,001,635	17,178,037
Working Capital Revolving Fund	6,922,905	8,564,486	8,132,398	8,295,007
<b>EXPENSE AND EQUIPMENT</b>				
General Revenue Fund	85,909,118	90,588,829	97,293,411	96,918,101
Federal Funds	0	1	1	1
Working Capital Revolving Fund	19,036,738	27,525,347	27,525,347	27,525,347
Correctional Substance Abuse Earnings Fund	0	264,600	264,600	264,600
<b>TOTAL</b>	<b>\$ 125,807,495</b>	<b>\$ 144,408,330</b>	<b>\$ 150,217,392</b>	<b>\$ 150,181,093</b>
General Revenue Fund	99,847,852	108,053,896	114,295,046	114,096,138
Federal Funds	0	1	1	1
Working Capital Revolving Fund	25,959,643	36,089,833	35,657,745	35,820,354
Correctional Substance Abuse Earnings Fund	0	264,600	264,600	264,600
<b>Full-time equivalent employees</b>	<b>674.25</b>	<b>789.15</b>	<b>764.12</b>	<b>759.50</b>

**Fiscal Year 2005 Governor's Recommendations**

- \$3,533,901 for increased offender medical expenses.
- \$2,541,473 for continued offender medical contract costs.
- \$150,000 for medical equipment.
- \$121,158 and one staff for treatment matching funds.
- \$499,365 for pay plan, including \$336,756 general revenue.
- \$188,904 and four staff reallocated to the Division of Adult Institutions.
- (\$869,196) and (23.65) staff in core reduction from the Fiscal Year 2004 appropriation level, including (\$437,108) general revenue.
- (\$287,562) and (eight) staff reallocated to the Office of the Director.
- (\$72,362) and (two) staff reallocated to the Division of Human Services.
- (\$32,918) and (one) staff reallocated to the Division of Adult Institutions.

## DEPARTMENT OF CORRECTIONS

### BOARD OF PROBATION AND PAROLE

The Board of Probation and Parole provides a full range of supervision strategies to manage offenders who are on probation and parole. These strategies combine appropriate structure, control, treatment, and intervention to address the risk and needs of offenders in the community. In addition to supervision of offenders, staff provides assessments and investigations for the courts, parole board, and other states. These assessments and investigations assist the judges and parole board in making informed and appropriate decisions on cases before them. Through professional assessment and supervision, the board is able to identify and deliver a continuum of necessary services to address a complex offender population. The board also manages a range of alternatives, including community sentencing, the house arrest program, intensive supervision, and halfway houses.

#### Fiscal Year 2005 Governor's Recommendations

- \$3,092,431 for pay plan, including \$3,086,455 general revenue.
- \$686,594 and 18 staff reallocated from the Division of Adult Institutions.
- (\$518,262) and (16) staff in core reduction from the Fiscal Year 2004 appropriation level, including (\$496,842) general revenue.
- (\$148,225) and (seven) staff reallocated to the Division of Human Resources.

	FY 2003 EXPENDITURE	FY 2004 APPROPRIATION	FY 2005 REQUEST	GOVERNOR RECOMMENDS FY 2005
Probation and Parole Staff	\$ 59,462,502	\$ 62,897,166	\$ 62,904,013	\$ 65,759,960
St. Louis Community Release Center	3,301,085	3,726,154	3,682,786	3,795,039
Kansas City Community Release Center	1,933,305	2,259,874	2,296,814	2,370,626
Community-Based Corrections Programs	9,515,970	10,146,548	10,205,386	10,216,655
DIVISIONAL TOTAL	\$ 74,212,862	\$ 79,029,742	\$ 79,088,999	\$ 82,142,280
PERSONAL SERVICE				
General Revenue Fund	59,474,280	63,120,137	63,115,504	66,201,959
Inmate Revolving Fund	157,029	320,221	298,801	304,777
EXPENSE AND EQUIPMENT				
General Revenue Fund	11,533,197	12,473,628	12,558,938	12,519,788
Inmate Revolving Fund	3,048,356	3,115,756	3,115,756	3,115,756
TOTAL	\$ 74,212,862	\$ 79,029,742	\$ 79,088,999	\$ 82,142,280
General Revenue Fund	71,007,477	75,593,765	75,674,442	78,721,747
Inmate Revolving Fund	3,205,385	3,435,977	3,414,557	3,420,533
Full-time equivalent employees	2,052.61	2,065.88	2,060.88	2,060.88

# DEPARTMENT OF ECONOMIC DEVELOPMENT

## FINANCIAL SUMMARY

	FY 2003 EXPENDITURE	FY 2004 APPROPRIATION	FY 2005 REQUEST	GOVERNOR RECOMMENDS FY 2005
Business Division	\$ 23,221,488	\$ 37,752,884	\$ 37,512,071	\$ 37,550,582
Community Development	43,109,306	40,527,770	41,165,074	41,201,134
Workforce Development	72,161,400	124,772,022	123,617,886	124,020,720
Division of Tourism	15,072,210	15,082,743	15,082,743	15,082,743
Affordable Housing	5,587,438	4,980,142	5,020,867	5,027,376
Financial Institution Safety and Soundness	5,551,220	5,917,409	5,847,857	5,944,409
Motor Carrier and Railroad Safety	2,990,468	0	0	0
Utility Regulation	16,207,132	18,979,339	19,340,023	20,433,349
Professional Registration	11,348,440	14,644,960	14,129,752	14,281,855
Administrative Services	6,887,893	10,889,574	11,208,793	11,341,766
DEPARTMENTAL TOTAL	\$ 202,136,995	\$ 273,546,843 *	\$ 272,925,066	\$ 274,883,934
General Revenue Fund	38,480,160	40,898,933	41,736,682	41,821,216
Federal Funds	112,649,078	163,686,889	162,505,788	163,006,453
Other Funds	51,007,757	68,961,021	68,682,596	70,056,265
Full-time equivalent employees	1,348.61	1,513.58	1,471.58	1,486.58

\* Does not include \$436,927 and 3.5 staff recommended in the Fiscal Year 2004 Supplemental Appropriations, including \$288,514 general revenue. See the Supplemental section of the Missouri Budget for details regarding the Department of Economic Development supplemental appropriations.

## POLICY SUMMARY

Governor Holden's budget for Fiscal Year 2005 provides a total of \$274.9 million for the Department of Economic Development. The Department provides services to Missourians and businesses to ensure economic success and increased productivity. The core functions provided by the Department of Economic Development include:

- Administering 32 tax credit programs that focus on business recruitment, community assistance, and workforce training.
- Facilitating the location, expansion, retention or start-up of businesses to create and retain high quality jobs.
- Increasing the capacity of urban and rural communities to raise the economic performance of disadvantaged areas.
- Providing a well-balanced employment and training system, giving Missourians the opportunity to achieve their full career and employment potential.
- Overseeing and regulating financial institutions, public utility companies, and 38 professional licensing entities to ensure Missourians receive reliable and safe services.

### Promoting Economic Development and Job Creation

During the recent national economic recession, Missouri maintained a high national ranking on the cost of living index and personal income in the state continued to increase in line with the national average. The department continues to spur economic development and strengthen the state's workforce by providing well-trained workers that attract businesses and high-paying jobs to the state. Toward that end, last session the General Assembly passed and the Governor signed legislation, HB 289 (2003), to stimulate development in both rural and downtown areas, resulting in increased tax revenue collected by state and local authorities.

The Governor has also proposed a new, comprehensive plan to accelerate the progress of the state's economy as it continues to emerge from the national recession. "Jobs Now" will create new, high-paying jobs through targeted investments in critical infrastructure; help stimulate growth in targeted industries, such as plant and life sciences; and provide increased funding to ensure a highly skilled workforce in the state. The plan is cost neutral because it will redirect resources from several inefficient tax credit programs and will leverage non-state investments from private sources and federal funds.

## DEPARTMENT OF ECONOMIC DEVELOPMENT

### POLICY SUMMARY (Continued)

The department will also direct some Temporary Assistance for Needy Families' (TANF) bonus dollars towards enhancing job creation opportunities and career assistance services to move people from welfare to work. The department will focus on developing career pathways in partnership with Missouri employers and community colleges, leveraging the TANF bonus dollars to gain additional resources for curriculum development and training.

To promote economic and workforce development, the Governor recommends:

- \$6.5 million TANF bonus dollars for training and career development opportunities to help low-income families find and retain jobs.
- \$500,000 for the Arts Council to match available federal funds for this important economic development tool.
- \$372,604 to provide the necessary resources to implement the Missouri Downtown and Rural Economic Stimulus Act, as authorized by HB 289 (2003).
- \$1 on an open-ended basis to establish the Jobs Now Investment, allowing the Missouri Development Finance Board to issue bonds for grants and loans to public entities, colleges, and universities.

### Enhancing Economic Security and Protecting Consumers

The department continues work to enhance economic security and utility safety for all Missourians. The department now administers 32 tax credit programs that focus on job creation, business recruitment, and community development. While these tax credit programs have generated millions of dollars of investments in the state, it is vital citizens be assured credits are being properly used.

The state also oversees a vast and complex utility system that requires regulation to ensure safe and adequate services are provided to all Missourians. House Bill 208, passed by the General Assembly during the 2003 legislative session and signed into law by the Governor, allows some utilities to place surcharges on consumers under certain circumstances. This will increase the amount of oversight required by the Office of Public Counsel and the Public Service Commission.

To enhance economic security and utility affordability, the Governor recommends:

- \$282,855 to develop a tax credit compliance and auditing unit to provide accountability oversight for existing tax credit programs.
- \$79,720 for the Office of Public Counsel to represent consumers in rate cases pursuant to the provisions in HB 208 (2003).
- \$463,805 other funds for the Public Service Commission to process additional rate increase requests for natural gas and water infrastructure replacement surcharges due to the provisions in HB 208 (2003).

Some performance measures the Department of Economic Development uses to evaluate Missouri's economic prosperity follow:

	2001	2002	2003
Total Number of Missourians employed	2,852,100	2,808,462	2,658,675
Sales of Missouri businesses through DED programs (billions)	\$1.885	\$1.886	\$1.400
Cost savings of Missouri firms through DED programs (millions)	\$25.5	\$48.2	\$34.3
Direct tourist expenditures in Missouri (billions)	\$5.5	\$5.5	\$5.5

Some performance measures the Department of Economic Development uses to evaluate Missouri's labor force follow:

	2001	2002	2003
Number of Missourians using DED services to bring them above the poverty level	21,730	24,873	23,749
Number of unemployed people who use DED services and obtain employment	94,814	103,545	115,640
Number of people who use DED services to obtain a higher wage job	79,347	94,835	92,340

### Improved Efficiency

Missouri has always been a low tax state and has, therefore, provided only essential services at a very low cost. The state's already low tax level combined with two consecutive years of declining revenue have led to significant reductions in many programs. However, under Governor Holden's leadership, state agencies have minimized the negative impact on services by dramatically reducing administrative costs and by developing ways to provide remaining services in the most efficient way possible.

## DEPARTMENT OF ECONOMIC DEVELOPMENT

### POLICY SUMMARY (Continued)

The Department of Economic Development has aggressively improved the services it provides and reduced administrative costs by:

- Merging the Business Development Division and the Business Expansion and Attraction Division into the new Business Services Division, resulting in a savings of \$535,051 and 4.75 staff positions.
- Consolidating workforce support services under the Temporary Assistance for Needy Families and Parent's Fair Share programs within the Division of Workforce Development, generating a savings in excess of \$1.1 million and 154 staff positions.
- Replacing the Public Service Commission's out-dated computer system with a more efficient electronic filing and information system, resulting in a savings of \$265,000 in postage and \$2.4 million in productivity costs.
- Combining the department's facilities and mailroom functions into a single general services unit to eliminate duplication.

In addition to cost cutting measures already implemented, the Department of Economic Development plans to:

- Co-locate the Division of Workforce Development and Department of Social Services local county offices to improve customer access and reduce any duplication of efforts.
- Create regional teams to increase efficiencies, consolidate information, and improve customer service by providing coordinated information relating to tax credits and incentive programs.
- Implement the Division of Professional Registration's on-line renewal system to reduce postage costs and expedite the processing of applications for licensed professionals.

### Cuts Already Made

The Department of Economic Development has worked to minimize the impact of reduced funding on services. However, the department's funding for services has been cut in recent years. For example:

- \$6.2 million was cut from the Customized Job Training program. This has resulted in fewer companies receiving assistance and smaller awards for those that do. Employees receiving training decreased from 35,613 in Fiscal Year 2001 to 24,639 in Fiscal Year 2003, which translates into a less competitive workforce and fewer high-paying jobs.
- \$1.1 million in technology funding cuts have resulted in the elimination of the Centers for Advanced Technology and Electronic Materials Applied Research Center programs. The Manufacturing Extension Partnership Program and Innovation Centers have also received less funding. These combined actions have resulted in fewer research projects and fewer companies that are served with technology and commercialization activities. These funding cuts will have a negative impact on the amount of new investment and sales generated by companies that use these programs.
- \$1.1 million was taken from the Community Development Corporation Grant Program, resulting in fewer and smaller awards being made and limits on the types of projects that can be funded. This program focuses on helping the underserved low- and moderate-income persons achieve educational certifications. This reduction has decreased the number of educational and housing projects for these individuals.
- \$750,000 from the marketing budget has decreased the ability of the state to recruit and retain businesses, and the elimination of the Regional Cooperative Marketing Program has hindered economic development efforts of local communities.
- \$382,000 in funding for the Main Street Program and Rural Development Grants has been eliminated, resulting in the loss of funding to smaller communities. The grants provided assistance for the hiring of economic development experts to work within the communities to create more investments and jobs. The elimination of these programs will result in the loss of over \$30 million in investments and 600 new jobs.

**DEPARTMENT OF ECONOMIC DEVELOPMENT  
BUSINESS DIVISION**

**FINANCIAL SUMMARY**

	FY 2003 EXPENDITURE	FY 2004 APPROPRIATION	GOVERNOR RECOMMENDS FY 2005
Business Division Programs	\$ 6,330,777	\$ 12,903,462	\$ 12,701,160
Missouri Job Development Fund	8,239,912	8,849,422	8,849,422
Missouri Community College New Jobs Training	8,650,799	16,000,000	16,000,000
DIVISIONAL TOTAL	\$ 23,221,488	\$ 37,752,884	\$ 37,550,582
PERSONAL SERVICE			
General Revenue Fund	1,567,550	1,467,424	1,511,449
Federal Funds	69,376	212,684	216,937
Department of Economic Development Administrative Fund	0	87,538	89,288
Missouri Job Development Fund	239,606	327,294	333,840
EXPENSE AND EQUIPMENT			
General Revenue Fund	1,852,847	2,107,033	2,148,156
Federal Funds	1,897	6,974	6,974
Department of Economic Development Administrative Fund	0	25,600	25,600
International Promotions Revolving Fund	24,552	73,438	73,988
Missouri Job Development Fund	31,755	88,389	88,389
PROGRAM SPECIFIC DISTRIBUTION			
General Revenue Fund	10,783,106	12,554,948	12,254,949
Federal Funds	0	2,200,000	2,200,000
Department of Economic Development Administrative Fund	0	2,600,000	2,600,000
Missouri Community College Job Training Program Fund	8,650,799	16,000,000	16,000,000
International Promotions Revolving Fund	0	1,562	1,012
TOTAL	\$ 23,221,488	\$ 37,752,884	\$ 37,550,582
General Revenue Fund	14,203,503	16,129,405	15,914,554
Federal Funds	71,273	2,419,658	2,423,911
Department of Economic Development Administrative Fund	0	2,713,138	2,714,888
Missouri Community College Job Training Program Fund	8,650,799	16,000,000	16,000,000
International Promotions Revolving Fund	24,552	75,000	75,000
Missouri Job Development Fund	271,361	415,683	422,229
Full-time equivalent employees	50.45	55.70	55.20

## **DEPARTMENT OF ECONOMIC DEVELOPMENT**

### **BUSINESS DIVISION (Continued)**

#### **BUSINESS DIVISION PROGRAMS**

The Department of Economic Development continues to provide timely and useful services to Missouri businesses through the Business Division which offers the following programs:

Missouri Business Center –The Missouri Business Center provides information on the essential planning steps that should be taken before starting a business in Missouri, including how to develop a business and marketing plan and information on current regulations. The Office of Minority Business provides direct assistance to minority- and women-owned businesses regarding business planning and resource opportunities.

Office of Business Finance – The Office of Business Finance provides information regarding tax credit programs and venture capital investment opportunities in order to help Missouri's small businesses increase private investment into their business. This office also assists with foreign investment opportunities.

Office of Science and Technology – The Office of Science and Technology coordinates the activities of the Innovation Centers and Missouri Enterprise programs which assist Missouri businesses in increasing efficiency, productivity, and competitiveness.

Office of International Marketing – The Office of International Marketing (OIM) focuses on the development of international export sales of Missouri products and services and also foreign investment opportunities. OIM offers assistance through several foreign offices located in areas such as London, England; Tokyo, Japan; Monterrey, Mexico; and Ghana, Africa.

Business Attraction Section – The Business Attraction Section facilitates the identification and location of new companies to Missouri. Services may include presenting the state as a cost-effective and potentially profitable location for investment, working with local communities to offer a site or building to potential businesses, or providing other assistance to prospective companies.

Research and Development Program – Information is a valuable resource, particularly when attempting to attract and retain businesses in the state. The Research and Development Program provides a wide variety of research information, including trade publications, business directories, target industry research, business climates, wages by occupation, labor reports, etc.

Incentives Section –The Incentives Section administers the business financing and tax credit programs available to businesses as encouragement to locate or expand their business in Missouri.

Missouri Development Finance Board – The Missouri Development Finance Board administers a range of financing programs for Missouri businesses, local governments, and state agencies. The board issues industrial revenue bonds or notes, provides market rate or low-interest loans and grants to political subdivisions and public infrastructure improvements, and grants tax credits against certain state income taxes in exchange for contributions made to the board.

#### **Fiscal Year 2005 Governor's Recommendations**

- \$136,302 and 2.5 staff for implementation of the Missouri Downtown and Rural Economic Stimulus Act created by HB 289 (2003).
- \$1 on an open-ended basis to implement the Jobs Now Investment Plan.
- \$40,374 for pay plan, including \$27,825 general revenue.
- (\$300,000) for one-time expenditures.
- (\$77,979) and (three) staff in core reduction from the Fiscal Year 2004 appropriation level.
- (\$1,000) reallocated to the Division of Community Development to reflect the transfer of the Transportation Development Tax Credit Program to the Community Development Division.

#### **MISSOURI JOB DEVELOPMENT FUND**

The Missouri job development fund allows the state to provide training to new and expanding businesses. Funding is also used to retrain employees of existing businesses to prevent plant shutdowns by both direct training and increasing ability to leverage federal funds.

#### **Fiscal Year 2005 Governor's Recommendations**

Continue funding at the current level.

#### **MISSOURI COMMUNITY COLLEGE NEW JOBS TRAINING**

Created by Sections 178.892-178.896, RSMo, the Missouri Community College New Jobs Training Program provides an incentive for the creation of new jobs by providing education and training of workers for new or expanding industries by community college districts.

#### **Fiscal Year 2005 Governor's Recommendations**

Continue funding at the current level.



**DEPARTMENT OF ECONOMIC DEVELOPMENT  
COMMUNITY DEVELOPMENT**

**FINANCIAL SUMMARY**

	FY 2003 EXPENDITURE	FY 2004 APPROPRIATION	GOVERNOR RECOMMENDS FY 2005
Community Development Programs	\$ 38,765,067	\$ 39,572,034	\$ 39,740,264
Rural Development Grants	198,089	0	0
Missouri Rural Opportunities Council	54,637	0	0
Missouri Arts Council	4,026,523	955,736	1,460,870
Main Street Program - Transfer	64,990	0	0
DIVISIONAL TOTAL	\$ 43,109,306	\$ 40,527,770	\$ 41,201,134
PERSONAL SERVICE			
General Revenue Fund	1,086,352	863,611	973,200
Federal Funds	798,777	975,589	995,101
EXPENSE AND EQUIPMENT			
General Revenue Fund	387,376	192,671	236,932
Federal Funds	407,919	851,717	851,717
PROGRAM SPECIFIC DISTRIBUTION			
General Revenue Fund	4,928,542	3,966,147	4,466,147
Federal Funds	35,464,055	31,678,035	31,678,035
Department of Economic Development Administrative Fund	0	250,000	250,000
Youth Opportunities and Violence Prevention Fund	0	250,000	250,000
State Supplemental Downtown Development Fund	0	0	1
State Supplemental Rural Development Fund	0	0	1
Property Reuse Fund	36,285	1,500,000	1,500,000
TOTAL	\$ 43,109,306	\$ 40,527,770	\$ 41,201,134
General Revenue Fund	6,402,270	5,022,429	5,676,279
Federal Funds	36,670,751	33,505,341	33,524,853
Department of Economic Development Administrative Fund	0	250,000	250,000
State Supplemental Downtown Development Fund	0	0	1
State Supplemental Rural Development Fund	0	0	1
Youth Opportunities and Violence Prevention Fund	0	250,000	250,000
Property Reuse Fund	36,285	1,500,000	1,500,000
Full-time equivalent employees	56.45	58.25	60.75

## **DEPARTMENT OF ECONOMIC DEVELOPMENT**

### **COMMUNITY DEVELOPMENT (Continued)**

The mission of the Community Development Group is to increase the capacity of communities and neighborhoods to utilize their resources to raise the economic performance of disadvantaged communities. Capacity is increased by encouraging communities to establish long-term community development programs, economic development programs, and public/private partnerships that improve, strengthen, and diversify local economies and communities. This capacity building entails leadership development, planning, volunteer development, alternative economic development activities, infrastructure improvement, youth development, and enabling local investments directly tied to the needs of the community for enhancing the quality of life and preparing communities for economic, sustainable growth.

### **COMMUNITY DEVELOPMENT PROGRAMS**

Community development programs help communities expand their economic base and improve the quality of life. Grants are awarded to help revitalize communities. Tax credits are offered to help finance redevelopment costs. Youth crime prevention is promoted and regional offices assist all areas of the state.

### **Fiscal Year 2005 Governor's Recommendations**

- \$136,304 and 2.5 staff for implementation of the Missouri Downtown and Rural Economic Stimulus Act created by HB 289 (2003), including \$136,302 general revenue.
- \$31,651 for pay plan, including \$17,273 general revenue.
- \$1,000 reallocated from the Division of Business Services to reflect the transfer of the Transportation Development Tax Credit Program to the Community Development Division.
- (\$725) core reduction from the Fiscal Year 2004 appropriation level.

### **MISSOURI ARTS COUNCIL**

The Missouri Arts Council (MAC) provides administrative support for the state art agency. As both a funding agency and a comptroller, MAC staff is charged with reviewing funding requests, allocating state and federal funds appropriated for arts programs, monitoring the expenditures of those funds, and providing technical and professional assistance to grantees.

A number of state programs provided by the MAC stimulate and support the arts, including program assistance awards. Statewide programs sponsored by MAC are: Community Arts, Touring Folk Arts, Artist-in-Residence, Visual Arts, and Writer's Biennials. The Community Arts Program awards grants to help local arts councils present arts programs in non-metropolitan areas. The Touring Folk Arts Program provides technical and financial assistance to local arts organizations for tour dates that they book with Missouri visual and performing artists and arts groups. The Artist-in-Residence Program provides short- and long-term residencies for Missouri artists or ensembles in Missouri's elementary schools. The Visual Arts and Writer's Biennials are two-year programs that alternately support, then exhibit, the work of selected Missouri artists. Program assistance awards which provide seed money are made on a 50/50 matching basis to not-for-profit applicants throughout Missouri. Citizen advisory panels recommend the allocation basis for program assistance dollars for each of the discipline areas (dance, music, etc.). Special initiatives, targeted projects initiated by MAC itself, include the African-American Cultural Initiative, arts education programs for Missouri public schools, and statewide conferences.

### **Fiscal Year 2005 Governor's Recommendations**

- \$500,000 for the Arts Council to match available federal funds for this important economic development tool.
- \$5,134 federal funds for pay plan.

## **DEPARTMENT OF ECONOMIC DEVELOPMENT**

### **COMMUNITY DEVELOPMENT (Continued)**

#### **MAIN STREET PROGRAM TRANSFER**

Sections 251.470-251.485, RSMo, allow for the general assembly to appropriate funds to the Missouri main street program fund. Funding for this program was eliminated in Fiscal Year 2004.

#### **RURAL DEVELOPMENT GRANTS**

The Rural Development Program, which includes the Rural Development Council and rural development grants, provides technical assistance and grants to communities with populations below 15,000. The grants are for job creation and retention, business attraction, and resource recovery. Funding for this program was eliminated in Fiscal Year 2004.

#### **MISSOURI RURAL OPPORTUNITIES COUNCIL**

The Missouri Rural Opportunities Council (MoROC) is one of numerous state rural development councils comprising the National Rural Development Partnership. Currently over 500 representatives of federal, state, local, and tribal governments, as well as the private for-profit and not-for-profit sectors, are brought together by MoROC. This neutral forum is designed to define and frame Missouri's rural issues, examine resulting barriers to rural development statewide, and collaborate in removing the impediments to an improved quality of life for all of rural Missouri. This program was eliminated in Fiscal Year 2004 due to loss of federal funds.

**DEPARTMENT OF ECONOMIC DEVELOPMENT  
WORKFORCE DEVELOPMENT**

**FINANCIAL SUMMARY**

	FY 2003 EXPENDITURE	FY 2004 APPROPRIATION	GOVERNOR RECOMMENDS FY 2005
Workforce Development Administration	\$ 17,119,313	\$ 24,689,411	\$ 23,937,418
Workforce Programs	54,724,201	99,807,398	99,807,398
Women's Council	108,241	59,213	59,904
Special Employment Security Fund	209,645	216,000	216,000
DIVISIONAL TOTAL	\$ 72,161,400	\$ 124,772,022	\$ 124,020,720
PERSONAL SERVICE			
General Revenue Fund	92,459	39,628	40,421
Federal Funds	13,609,823	19,928,286	19,172,717
Child Support Enforcement Collections Fund	0	178,812	182,388
EXPENSE AND EQUIPMENT			
General Revenue Fund	24,965	99,604	99,502
Federal Funds	3,840,179	7,225,313	7,259,313
Child Support Enforcement Collections Fund	0	18,955	18,955
Special Employment Security Fund	209,645	216,000	216,000
PROGRAM SPECIFIC DISTRIBUTION			
General Revenue Fund	0	1,919,981	1,919,981
Federal Funds	54,384,329	94,775,260	94,741,260
Child Support Enforcement Collections Fund	0	370,183	370,183
TOTAL	\$ 72,161,400	\$ 124,772,022	\$ 124,020,720
General Revenue Fund	117,424	2,059,213	2,059,904
Federal Funds	71,834,331	121,928,859	121,173,290
Child Support Enforcement Collections Fund	0	567,950	571,526
Special Employment Security Fund	209,645	216,000	216,000
Full-time equivalent employees	426.56	605.72	560.72

## **DEPARTMENT OF ECONOMIC DEVELOPMENT**

### **WORKFORCE DEVELOPMENT (Continued)**

The Division of Workforce Development provides a well-balanced employment and training system, giving Missourians the opportunity to achieve their full career and employment potential through high quality programs. Missouri employers also benefit from a more competitive and better-trained workforce. The Job Service Program offers a network of services delivered in a customer-focused environment to help people find and retain employment. Services include provision of labor market information, career counseling, testing, and job readiness training. Job Service also assists employers in meeting their employment needs by referring qualified workers for job openings and providing information to help plan for future workforce needs.

### **WORKFORCE DEVELOPMENT ADMINISTRATION**

Workforce Investment Act funds, along with federal Job Service Program funds, are administered by the Division of Workforce Development. These funds are targeted toward the economically disadvantaged, Temporary Assistance for Needy Families' recipients, school dropouts, and dislocated workers.

#### **Fiscal Year 2005 Governor's Recommendations**

- \$ 402,143 federal and other funds for pay plan.
- (\$1,154,136) federal funds and (45) staff in core reduction from the Fiscal Year 2004 appropriation level.

### **WORKFORCE PROGRAMS**

The mission of the federal Workforce Investment Act Program is to serve Missourians by: providing training and employment opportunities; establishing a flexible, coordinated, and decentralized training system; and coordinating these programs with other employment and training-related programs. The employment and training programs offered on a statewide basis include: Workforce Investment Act programs, Trade Adjustment Assistance Program, North American Free Trade Agreement programs, Rapid Response Worker programs, and the Missouri Youth Service Conservation Corps. Individuals who meet eligibility requirements for the programs may access services to make them more competitive in the workforce. Historically, the Division of Workforce Development, along with local service delivery areas, have provided a full range of services authorized under the Workforce Investment Act which are designed to prepare individuals with barriers to employment for the workforce. Services include referral to job openings, job readiness skills training, referral to classroom or employer training, as well as payment of support services such as transportation. The Missouri Training and Employment Council provides direction to the Division of Workforce Development on policies and procedures to ensure that local service delivery area programs comply with Workforce Investment Act financial and program requirements.

#### **Fiscal Year 2005 Governor's Recommendations**

Continue funding at the current level.

### **WOMEN'S COUNCIL**

Through its meetings, staff support, and other activities, the Missouri Women's Council addresses the issues of expanding women's opportunities through education and training programs. The Council works to increase occupational mobility in lower- and middle-employment levels, provides access to jobs with higher skill and managerial duties, promotes small business opportunities, and provides access to non-traditional skills through apprenticeships and vocational training. The council also prepares an annual state needs assessment to identify problem geographic areas; establishes long- and short-term goal statements; inventories current federal, state, local, and private programs relating to women's economic needs; and prepares plans to address those problem areas.

#### **Fiscal Year 2005 Governor's Recommendations**

- \$793 for pay plan.
- (\$102) core reduction from the Fiscal Year 2004 appropriation level.

### **SPECIAL EMPLOYMENT SECURITY FUND**

The special employment security fund is derived from interest and penalties collected under the provisions of the Missouri Employment Security Law. Expenditures from this fund are made in accordance with Section 288.310, RSMo, the Employment Security Law.

#### **Fiscal Year 2005 Governor's Recommendations**

Continue funding at the current level.

## **DEPARTMENT OF ECONOMIC DEVELOPMENT**

### **DIVISION OF TOURISM**

The Division of Tourism promotes Missouri's tourist attractions with direct media campaigns, vacation guides, and public relations efforts. The Division of Tourism also operates six tourism information centers at key entry points throughout the state and a seventh located in the Truman State Office Building in Jefferson City. Beginning in Fiscal Year 1995, the division has been funded with a portion of the growth in tax revenues on tourism-oriented goods and services.

#### **Fiscal Year 2005 Governor's Recommendations**

- (One) staff in core reduction from the Fiscal Year 2004 appropriation level.

### **AFFORDABLE HOUSING**

The Missouri Housing Development Commission (MHDC) was established in 1969 by the 75<sup>th</sup> General Assembly to assist in the creation of housing for low- and moderate-income people of Missouri. Section 215.020, RSMo, states: "There is hereby created and established as a governmental instrumentality of the State of Missouri the Missouri Housing Development Commission which shall constitute a body corporate and public."

MHDC generates multi-family rental production through a variety of funding sources, including its own fund balances; the state's allocation of federal funds; its authority to issue tax-exempt and taxable bonds; and state and federal housing tax credits. MHDC also offers single-family programs for qualified first-time homebuyers, such as its Mortgage Revenue Bond Program which provides funds for mortgage loans at competitive interest rates and a Downpayment Assistance Program to assist in the purchase of a home. MHDC's Affordable Housing programs include Section 8 certificates and vouchers, federal tenant-based assistance, MHDC's Rental Assistance Program, as well as several other Rental Assistance programs in partnership with the Department of Mental Health.

The Manufactured Housing Department is housed within the Public Service Commission per Sections 700.010-700.115, RSMo. It annually registers manufacturers and dealers of manufactured homes and modular units; prescribes and enforces uniform construction standards for manufactured homes, modular units, and recreational vehicles manufactured and/or sold within the state; approves plans for modular units and recreational vehicles sold in the state; and enforces manufactured home tie-down requirements. There are 3,779 manufactured housing dealers and 13 modular unit dealers operating in Missouri.

#### **Fiscal Year 2005 Governor's Recommendations**

- \$40,725 other funds for replacement vehicles.
- \$6,509 other funds for pay plan.

### **FINANCIAL INSTITUTION SAFETY AND SOUNDNESS**

Division of Credit Unions – The Division of Credit Unions is statutorily responsible for the examination, supervision, and regulation of all state-chartered credit unions to determine the financial condition and management practices of each credit union and to correct unsound practices or violation of law or regulation.

Division of Finance – The Division of Finance has regulatory oversight authority of activities involving state-chartered banks and trust companies. The division also is responsible for licensing and regulating small loan offices, motor vehicle offices, financial institution offices, companies engaged exclusively in second mortgage lending, premium finance companies, and companies selling money orders. Beginning in Fiscal Year 1995, the division took over the responsibilities of the former Division of Savings and Loan. The division now has regulatory oversight authority over savings and loan associations and registers mortgage loan brokers.

#### **Fiscal Year 2005 Governor's Recommendations**

- \$12,000 other funds for investigative contract work.
- \$96,552 other funds for pay plan.
- (\$81,552) other funds and (two) staff in core reduction from the Fiscal Year 2004 appropriation level.

### **MOTOR CARRIER AND RAILROAD SAFETY**

The Division of Motor Carrier and Railroad Safety regulates the prices, routes, and services of motor carriers of household goods and passengers. This division was transferred to the Missouri Department of Transportation in Fiscal Year 2004.

## DEPARTMENT OF ECONOMIC DEVELOPMENT

### UTILITY REGULATION

Office of Public Counsel – The Office of the Public Counsel is involved in the legal, accounting, financial, and economic aspects of utility ratemaking and regulation. Lawyers and technical staff analyze utility rate increase requests to advocate consumer rights in testimony and cross-examination in hearings held before the Public Service Commission.

Public Service Commission – The Public Service Commission regulates the rates, finances, safety, and quality of service of private, investor-owned telephone, gas, electric, water and sewer utilities, and the safety of rural electric cooperatives and municipally-owned gas systems. The commission is divided into four sections: executive, administration, general counsel, and utility.

The executive section is responsible for certain legal and administrative activities supporting the commission's statutory responsibilities, including hearing cases and issuing reports and orders. In addition, policy planning and analysis functions are conducted by the executive section to promote more active participation in federal proceedings and to provide technical assistance to the commission.

The administration division is responsible for internal operational functions related to purchasing, monitoring expenditures, preparing annual assessments of regulated utility companies, personnel and staff services, and manufactured housing. The administration division also files all commission administrative rules with the Secretary of State, reports official hearings, files and distributes all commission orders, and inspects dealer lots and manufacturing facilities of mobile homes to ensure compliance with federal standards and state law.

The general counsel assists the commission through preparation and presentation of expert staff testimony and exhibits, cross-examination in administrative hearings held before the commission, and representation of the commission in court cases involving appeals. The general counsel represents the commission in all proceedings before the Federal Energy Regulatory Commission, the Federal Communications Commission, and the Nuclear Regulatory Commission. The general counsel also drafts rules and procedures of the commission and commission-sponsored legislation.

The utility section consists of two divisions: utility service and utility operations. The utility services section advises and testifies before the commission on rate cases, performs field compliance audits, performs financial analysis, and is responsible for accounting and handling consumer complaints. The utility operations section provides analyses on utility construction; operation; safety; capacity expansion; tariff review; and rate design for electric, gas, water and sewer, and telecommunications utilities.

### **Fiscal Year 2005 Governor's Recommendations**

- \$896,491 other funds and 15 staff to fund the Office of Public Counsel through fee assessments.
- \$543,525 and eight staff for implementation of provisions from HB 208 (2003), including \$79,720 general revenue.
- \$197,555 for pay plan, including \$12,500 general revenue.
- (\$183,561) and (four) staff in core reduction from the Fiscal Year 2004 appropriation level, including (\$720) general revenue.

**DEPARTMENT OF ECONOMIC DEVELOPMENT  
PROFESSIONAL REGISTRATION**

**FINANCIAL SUMMARY**

	FY 2003 EXPENDITURE	FY 2004 APPROPRIATION	GOVERNOR RECOMMENDS FY 2005
Administration	\$ 4,388,550	\$ 5,464,166	\$ 4,945,168
State Board of Accountancy	336,776	430,146	434,834
State Board of Architects, Engineers, and Land Surveyors	566,552	728,781	735,255
State Board of Barber Examiners	29,077	38,271	39,271
State Board of Chiropractic Examiners	83,764	151,052	151,052
State Board of Cosmetology	244,158	259,418	259,418
Missouri Dental Board	457,000	592,414	598,943
State Board of Embalmers and Funeral Directors	67,970	149,634	149,634
State Board of Registration for the Healing Arts	2,035,983	2,485,570	2,495,984
State Board of Nursing	1,351,461	1,826,020	1,843,874
State Board of Optometry	39,893	42,604	42,604
State Board of Pharmacy	833,721	1,219,093	1,306,133
State Board of Podiatric Medicine	5,035	21,681	21,681
Missouri Real Estate Commission	835,902	1,125,014	1,146,908
Missouri Veterinary Medical Board	72,598	111,096	111,096
DIVISIONAL TOTAL	\$ 11,348,440	\$ 14,644,960	\$ 14,281,855
PERSONAL SERVICE			
Board Funds	4,062,118	4,774,127	4,790,160
Professional Registration Fees Fund	2,631,410	2,931,151	2,967,153
EXPENSE AND EQUIPMENT			
Board Funds	2,897,772	4,406,667	4,546,527
Professional Registration Fees Fund	1,757,140	2,533,015	1,978,015
TOTAL	\$ 11,348,440	\$ 14,644,960	\$ 14,281,855
Board Funds	6,959,890	9,180,794	9,336,687
Professional Registration Fees Fund	4,388,550	5,464,166	4,945,168
Full-time equivalent employees	226.40	229.60	225.60

The Division of Professional Registration provides support services to 32 licensing agencies through various boards, commissions, committees, offices, and councils. Each conducts professional examinations, licenses qualified individuals, promotes legislation, publishes rules and regulations, and investigates complaints of misconduct of licensed members.

**Fiscal Year 2005 Governor's Recommendations**

**ADMINISTRATION**

- \$58,178 other funds for pay plan.
- (\$555,000) other funds for one-time expenditures.
- (\$22,176) other funds and (one) staff in core reduction from the Fiscal Year 2004 appropriation level.

**STATE BOARD OF ACCOUNTANCY**

- \$4,688 other funds for pay plan.



## **DEPARTMENT OF ECONOMIC DEVELOPMENT**

### **PROFESSIONAL REGISTRATION (Continued)**

#### **STATE BOARD OF ARCHITECTS, PROFESSIONAL ENGINEERS, AND LAND SURVEYORS**

- \$6,474 other funds for pay plan.

#### **STATE BOARD OF BARBER EXAMINERS**

- \$1,000 other funds for criminal history background checks.

#### **STATE BOARD OF CHIROPRACTIC EXAMINERS**

Continue funding at the current level.

#### **STATE BOARD OF COSMETOLOGY**

Continue funding at the current level.

#### **MISSOURI DENTAL BOARD**

- \$6,529 other funds for pay plan.

#### **STATE BOARD OF EMBALMERS AND FUNERAL DIRECTORS**

Continue funding at the current level.

#### **STATE BOARD OF REGISTRATION FOR THE HEALING ARTS**

- \$31,486 other funds for pay plan.
- (\$21,072) other funds and (one) staff in core reduction from the Fiscal Year 2004 appropriation level.

#### **STATE BOARD OF NURSING**

- \$17,854 other funds for pay plan.

#### **STATE BOARD OF OPTOMETRY**

Continue funding at the current level.

#### **STATE BOARD OF PHARMACY**

- \$108,860 other funds for criminal history background checks.
- \$10,772 other funds for pay plan.
- (\$32,592) other funds and (one) staff in core reduction from the Fiscal Year 2004 appropriation level.

#### **STATE BOARD OF PODIATRIC MEDICINE**

Continue funding at the current level.

## **DEPARTMENT OF ECONOMIC DEVELOPMENT**

### **PROFESSIONAL REGISTRATION (Continued)**

#### **MISSOURI REAL ESTATE COMMISSION**

- \$30,000 other funds for criminal history background checks.
- \$16,122 other funds for pay plan.
- (\$24,228) other funds and (one) staff in core reduction from the Fiscal Year 2004 appropriation level.

#### **MISSOURI VETERINARY MEDICAL BOARD**

Continue funding at the current level.

### **ADMINISTRATIVE SERVICES**

Administrative Services coordinates the common activities of encouraging economic development. It also protects and promotes the interests of Missouri citizens, provides support services to the agencies, and monitors fund accountability and program activities.

#### **Fiscal Year 2005 Governor's Recommendations**

- \$282,855 and five staff to develop the Tax Credit Accountability Auditing Unit.
- \$100,000 for implementation of the Missouri Downtown and Rural Economic Stimulus Act created by HB 289 (2003)
- \$134,177 for pay plan, including \$30,757 general revenue.
- (\$64,840) and (one) staff in core reduction from the Fiscal Year 2004 appropriation level, including (\$22,519) general revenue.

# DEPARTMENT OF ELEMENTARY AND SECONDARY EDUCATION

## FINANCIAL SUMMARY

	FY 2003 EXPENDITURE	FY 2004 APPROPRIATION	FY 2005 REQUEST	GOVERNOR RECOMMENDS FY 2005
General Administration	\$ 3,642,371,382	\$ 3,660,173,178	\$ 4,470,664,570	\$ 3,788,855,918
School Improvement/Teacher				
Quality and Urban Education	304,484,938	405,062,352	409,355,428	405,348,509
Vocational Rehabilitation	167,511,875	172,152,358	176,943,039	177,450,711
Vocational and Adult Education	55,324,035	73,989,777	74,464,144	74,514,253
Special Education	192,563,328	237,009,675	265,768,817	263,676,384
Board Operated School Programs	1,078,749	1,555,000	1,555,000	1,555,000
Missouri Occupational Information				
Coordinating Committee	176,498	0	0	0
Commission for the Deaf	366,695	479,291	479,291	481,430
DEPARTMENTAL TOTAL	\$ 4,363,877,500	\$ 4,550,421,631 *	\$ 5,399,230,289	\$ 4,711,882,205
General Revenue Fund	248,600,534	232,266,887	231,917,896	220,410,358
Federal Funds	725,455,637	927,318,630	961,179,621	949,361,696
School District Bond Fund**	3,903,927	450,000	450,000	450,000
Certification of Interpreters Fund	91,927	125,000	125,000	125,000
Independent Living Center Fund	201,782	590,556	590,556	590,556
Outstanding Schools Trust Fund***	490,573,874	394,401,353	394,375,841	396,200,000
Bingo Proceeds for Education Fund	1,707,166	1,707,167	1,707,167	1,707,167
Lottery Proceeds Fund	112,114,564	121,134,277	121,134,277	131,221,887
First Step Fund	0	0	0	6,000,000
VIDEO Fund	37,500	0	0	0
State School Moneys Fund****	2,039,858,447	2,128,889,689	2,932,484,566	2,250,545,226
Handicapped Children's Trust Fund	0	30,000	30,000	30,000
Excellence in Education Fund	1,557,159	2,929,210	2,929,210	2,934,161
Fair Share Fund	22,986,529	23,225,250	22,500,001	22,500,000
School District Trust Fund	653,890,774	693,947,458	706,400,000	706,400,000
Missouri Commission for the Deaf				
and Hard of Hearing Fund	0	50,000	50,000	50,000
State Public School Fund	37,399,291	0	0	0
Early Childhood Development,				
Education and Care Fund	24,419,640	21,831,154	21,831,154	21,831,154
School for the Blind Trust Fund	1,078,749	1,500,000	1,500,000	1,500,000
School for the Deaf Trust Fund	0	25,000	25,000	25,000
Full-time equivalent employees	1,968.13	2,020.28	1,975.15	1,975.15

\* Does not include \$25,158,271 recommended in the Fiscal Year 2004 Supplemental Appropriations, including \$8,877,783 general revenue. See the Supplemental section of the Missouri Budget for details regarding the Department of Elementary and Secondary Education supplemental appropriations.

\*\* The school district bond fund received the following transfers from the gaming proceeds for education fund: \$2,271,458 in Fiscal Year 2003 expenditure, \$450,000 in Fiscal Year 2004 appropriation, and \$450,000 in Governor recommends for Fiscal Year 2005.

\*\*\* The outstanding schools trust fund received the following transfers from general revenue: \$421,300,000 in Fiscal Year 2003 expenditures, \$394,400,000 in Fiscal Year 2004 appropriation, and \$396,200,000 in Governor recommends for Fiscal Year 2005.

\*\*\*\* The state school moneys fund received the following transfers from general revenue: \$1,598,436,351 in Fiscal Year 2003 expenditures, \$1,837,494,202 in Fiscal Year 2004 appropriation, and \$1,833,498,014 in Governor recommends for Fiscal Year 2005.

## DEPARTMENT OF ELEMENTARY AND SECONDARY EDUCATION

### POLICY SUMMARY

Governor Holden's budget for Fiscal Year 2005 provides \$4.7 billion for the Department of Elementary and Secondary Education. The department provides services for the 524 Missouri school districts. The core functions provided by the Department of Elementary and Secondary Education include:

- Administering educational policies of the state and supervising instruction in the public schools.
- Distributing school funding, including the Foundation Program, Proposition C, Fair Share, County Foreign, and state and federal grant programs.
- Granting certificates of qualification and licenses to teach in the public schools of the state.
- Providing vocational rehabilitation services to Missourians with disabilities to help them obtain employment.

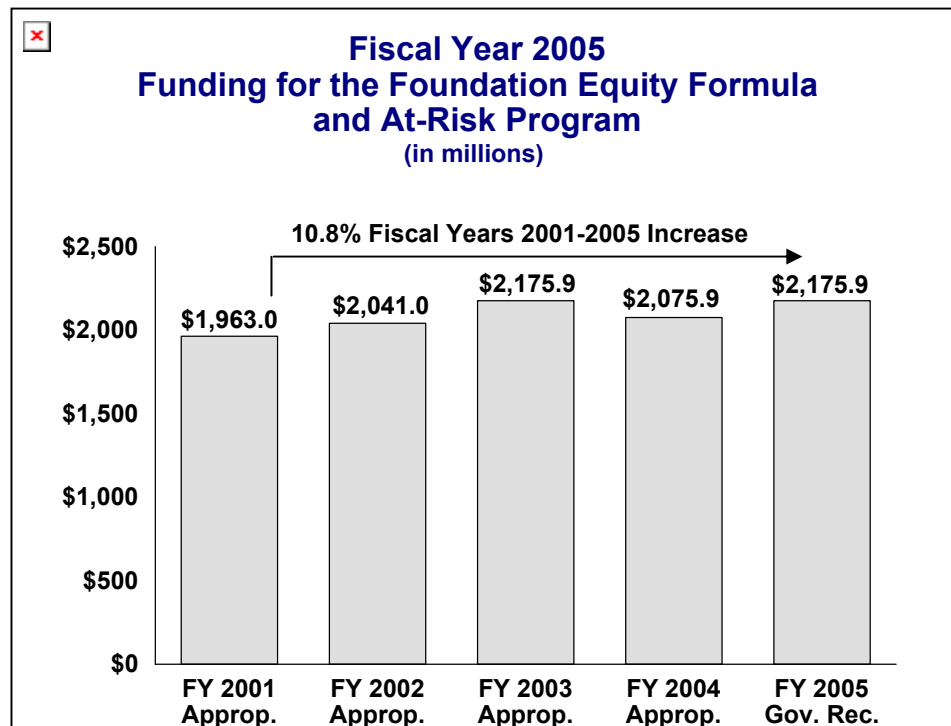
#### Enhancing Equity for School Children

Governor Holden understands the critical importance of providing adequate and equitable funding for our state's public schools. The General Assembly, however, made drastic cuts to funding for elementary and secondary education in the Fiscal Year 2004 budget. The Governor believes cutting education will seriously harm the state economy, and his Fiscal Year 2005 budget restores the money the General Assembly cut as follows:

- \$100 million for the foundation equity formula and At-Risk Program, increasing total funding to \$2.2 billion.
- \$9.9 million for the Transportation Program, bringing total state funding to \$162.1 million.
- \$2.4 million for the Parents As Teachers Program, bringing total state funding to \$30.3 million.
- \$1.5 million for the Gifted Program, bringing total state funding to \$24.9 million.
- \$800,000 for the Vocational Education Program, bringing total state funding to \$52.9 million.

In addition to restoring the reductions to the Foundation Program, the Governor's Fiscal Year 2005 budget includes the following increase:

- \$20.7 million for Early Childhood Special Education for educational services provided to three- and four-year-old children with disabilities, bringing total state funding to \$102 million.



## DEPARTMENT OF ELEMENTARY AND SECONDARY EDUCATION

### POLICY SUMMARY (Continued)

#### Ensuring Accountability and Innovation

- Outstanding Schools Waivers – no cost. Schools that consistently perform at exemplary levels in the statewide assessment system will be granted Outstanding Schools Waivers. These waivers of rules and regulations promote flexibility and innovation in the operations of the school, encourage efficiency, and promote school-centered decision making.
- Priority Schools – funding included in the foundation formula. Schools that repeatedly fail to provide their students with an adequate education may be declared priority schools. Funds will be made available through a portion of one percent of the foundation formula funding set aside to address statewide areas of critical need to help these schools improve student achievement.
- Professional Development and Training for Educators – one percent of a school district's foundation formula money is allocated for professional development for teachers. Also, an additional one percent of the total foundation formula appropriation will be targeted to statewide areas of critical need.

#### STATE AID TO LOCAL SCHOOL DISTRICTS (Not Including Desegregation)

	<b>FY 2004 APPROPRIATION</b>	<b>FY 2005 RECOMMENDATION</b>
<b>School Foundation Program</b>		
Equity Formula and At-Risk	\$ 2,075,857,670	\$ 2,175,891,721
Transportation	152,167,319	162,067,713
Gifted	23,415,942	24,870,104
Special Education	149,617,982	149,617,982
Remedial Reading	11,096,925	11,096,925
Early Childhood Special Education	81,274,784	102,011,209
Career Ladder	37,297,656	35,526,150
Vocational Education	52,080,428	52,880,428
Parents As Teachers	27,895,976	30,304,651
Subtotal Foundation Program	\$ 2,610,704,682	\$ 2,744,266,883
<b>Other State Aid</b>		
A+ Schools Program	\$ 12,609,960	\$ 12,609,960
Adult Literacy	500,000	500,000
Safe Schools Grants	5,122,368	4,122,368
Proposition C Sales Tax	693,947,458	706,400,000
Fair Share Cigarette Tax	23,225,250	22,500,000
Free Textbook Fund	89,650,000	73,950,000
School Food Program	3,460,219	3,487,799
Early Childhood Program	16,545,112	16,545,112
DSS/DMH School Placements	10,099,337	10,099,337
Subtotal Other State Aid	\$ 855,159,704	\$ 850,214,576
<b>Total State Aid to Local Schools</b>	<b>\$ 3,465,864,386</b>	<b>\$ 3,594,481,459</b>

#### Direct State Aid to Local Schools

**Proposition C:** The Governor recommends \$12.5 million for Proposition C sales tax revenue.

**Special Education:** The Governor recommends \$20 million federal funds for special education services mandated by federal law. This funding will provide grants to local school districts to support services for students with disabilities.

**Title I:** The Governor recommends \$15 million federal funds to increase the Reading First Grant Program. This grant program will provide resources to school districts for teacher professional development with the focus on reading instruction.

## DEPARTMENT OF ELEMENTARY AND SECONDARY EDUCATION

### POLICY SUMMARY (Continued)

**After School Programming:** The Governor recommends \$5 million federal funds for after school programs. This funding provides local competitive grants to school districts and community-based organizations to establish or enhance after school programs. Quality after school programs provide drug and violence prevention training, technology education, art and music instruction, counseling, and character education to enhance the academic component of the programs.

#### Gaming Revenues For Education

**Lottery Proceeds for Education:** During Fiscal Year 2005, \$206.7 million is projected to be available from lottery revenues. Of this amount, \$131.2 million will support programs in the Department of Elementary and Secondary Education. More information about lottery funds can be found in the Higher Education section of the Missouri Budget.

**Riverboat Gaming Proceeds for Education:** All riverboat gaming proceeds in excess of the amount transferred to the school district bond fund must be transferred by law to the state school moneys fund for the foundation formula. For Fiscal Year 2005, the Governor recommends transferring \$450,000 in gaming proceeds to the school district bond fund for use by the Missouri Health and Education Facilities Authority (MOHEFA) to pay costs associated with credit enhancement. The Governor recommends that the remaining \$355.7 million be transferred to the state school moneys fund.

#### Increased Funds for Missourians with Disabilities

**Personal Care Assistance:** The Governor recommends \$8 million, including \$2.9 million general revenue, for the Personal Care Assistance Program for Medicaid-eligible Missourians. The program allows individuals with disabilities to receive services in their homes rather than in a nursing home. This will provide services to an additional 1,500 disabled Missourians.

**First Steps:** The Governor recommends \$8.8 million, including \$2.8 million general revenue, to provide early intervention services for developmentally delayed infants. This will provide services to 221 new developmentally delayed infants.

#### Improving Efficiency

Missouri has always been a low tax state and has, therefore, provided only essential services at a very low cost. The state's already low tax level combined with two consecutive years of declining revenue have led to significant reductions in many programs. However, under Governor Holden's leadership, state agencies have minimized the negative impact on services by dramatically reducing administrative costs and by developing ways to provide remaining services in the most efficient manner possible.

The Department of Elementary and Secondary Education has aggressively improved the services it provides and reduced administrative costs by:

- Eliminating 20 contracted bus routes for the State Schools for the Severely Handicapped. This resulted in a redirection of \$1 million of savings to services for children attending these state operated schools.
- Consolidating administrative functions throughout the department resulting in a reduction of \$472,523 and 14 staff.
- Utilizing electronic communication for collecting and distributing information. This resulted in savings of \$130,262 for printing.
- Decreasing mailing costs by \$118,858, despite the fact that during the same period the postage rate has increased three times.

In addition to cost-cutting measures already implemented, the Department of Elementary and Secondary Education plans to:

- Increase the use and effectiveness of electronic communication to collect and distribute information. By taking advantage of electronic communication, information can be delivered instantly and printing and mailing costs decreased.

#### Cuts Already Made

The Department of Elementary and Secondary Education has worked to minimize the impact of reduced funding on services. However, the department's funding for services has been cut in recent years.

- The school Foundation Program was reduced by \$115.8 million. Since a significant percentage of the Foundation Program supports teacher salaries, school districts were forced to eliminate 2,001 classroom teachers and aides. An additional 508 positions were also reduced, including principals, supervisors, library/media personnel, guidance personnel, and administrative staff.
- Reductions to the school Foundation Program have forced school districts to increase class sizes and eliminate programs for gifted, at-risk, and disruptive students.

## DEPARTMENT OF ELEMENTARY AND SECONDARY EDUCATION

### POLICY SUMMARY (Continued)

- New technology grants to schools were reduced by \$8.8 million, a 42 percent decrease. This resulted in markedly reduced grants to school districts for purchase of computers, software, and Internet connections.
- The Safe Schools Program was cut by \$2 million, resulting in no first-year grants for school districts. The loss of funding has forced many school districts to eliminate programs to educate disruptive and/or violent children in alternative settings. As a result, these students will again be placed in regular classrooms, making learning more difficult for all children.
- The A+ Schools Program was reduced by \$5.9 million, resulting in students no longer receiving reimbursement for textbooks.
- The Missouri Assessment Program was reduced by \$4.4 million, resulting in the state not being able to administer the Science, Social Studies, and Health/Physical Education assessments. Without these assessments, the department is unable to determine how well students are performing statewide in these important subject areas.

### PERFORMANCE MEASURES

Some performance measures the Department of Elementary and Secondary Education uses to evaluate student achievement follow:

	2001	2002	2003
Percent of students scoring at or above the targeted skill level			
-4th grade math	38%	38%	37%
-8th grade math	15%	14%	14%
-10th grade math	13%	11%	12%
-3rd grade science	46%	48%	48%
-7th grade science	14%	14%	15%
-10th grade science	9%	5%	6%
-3rd grade communication arts	32%	35%	34%
-7th grade communication arts	34%	32%	32%
-11th grade communication arts	23%	24%	22%
-4th grade social studies	42%	40%	42%
-8th grade social studies	42%	42%	40%
-11th grade social studies	20%	16%	18%
-5th grade health-physical education	43%	55%	N/A
-9th grade health-physical education	39%	24%	N/A
Average annual dropout rate among Missouri public school students, grades 9-12	4.3%	3.7%	3.5%
Graduation rate among Missouri public high school students	81.4%	82.4%	83.9%
Percent of 18-year-olds with a high school diploma or GED	87.7%	89.8%	89.5%
Average ACT scores of Missouri high school graduates	21.4	21.5	21.4
Percent of vocational education graduates continuing their education or employed	93.31%	93.78%	N/A

A key performance measure the Department of Elementary and Secondary Education uses to evaluate early childhood care and education follows:

	2001	2002	2003
*Percent of children with average or above average school readiness skills	79%	N/A	75%

- \* The Missouri School Entry Assessment was conducted for the first time during the 1998-1999 school year. The assessment is based on a statewide sample of kindergarten students and provides important information about what children entering Missouri's public kindergartens know and can do, as well as their preschool experiences.

**DEPARTMENT OF ELEMENTARY AND SECONDARY EDUCATION  
GENERAL ADMINISTRATION**

**FINANCIAL SUMMARY**

	FY 2003 EXPENDITURE	FY 2004 APPROPRIATION	GOVERNOR RECOMMENDS FY 2005
Administrative and Financial Services	\$ 6,396,204	\$ 11,198,982	\$ 9,733,685
State Public School Fund	37,399,291	0	0
Court-Ordered Payments	20,000,000	16,500,000	15,000,000
School Foundation Program Distribution	2,671,605,839	2,658,066,081	2,793,102,565
Early Grade Literacy/Professional Development	542,500	500,000	500,000
School Food Services	142,211,330	151,635,407	164,719,668
Fair Share Distribution	22,986,529	23,225,250	22,500,000
School District Trust Fund Distribution	653,890,774	693,947,458	706,400,000
County Foreign Insurance Tax	83,046,650	89,650,000	73,950,000
School District Bond Program	3,903,927	450,000	450,000
Federal Grants and Donations	388,338	15,000,000	2,500,000
<b>TOTAL</b>	<b>\$ 3,642,371,382</b>	<b>\$ 3,660,173,178</b>	<b>\$ 3,788,855,918</b>
General Revenue Fund	151,918,223	154,911,075	138,188,246
Federal Funds	143,524,743	171,792,456	171,903,581
Bingo Proceeds for Education Fund	1,707,166	1,707,167	1,707,167
Lottery Proceeds for Education Fund	88,487,684	89,048,877	99,136,487
Other Funds	3,256,733,566	3,242,713,603	3,377,920,437
<b>Full-time equivalent employees</b>	<b>1,001.07</b>	<b>986.22</b>	<b>979.09</b>

**ADMINISTRATIVE AND FINANCIAL SERVICES**

The Department of Elementary and Secondary Education is supervised by the State Board of Education, which consists of eight members appointed for eight-year terms by the Governor with the advice and consent of the Senate. The board appoints the Commissioner of Education as its chief administrative officer.

The Division of Administrative and Financial Services consists of all internal and external business functions of the department. It is responsible for distributing all federal and state funds to local school districts and other agencies. The external areas consist of the school finance, school food services, school governance, and facilities sections. The internal business areas consist of accounting and procurement, human resources, budget, research and planning, printing and publications, mail services, information technology, and telecommunications.

**Fiscal Year 2005 Governor's Recommendations**

- \$78,563 for pay plan, including \$50,724 general revenue.
- (\$1,543,860) and (one) staff in core reduction from the Fiscal Year 2004 appropriation level, including (\$43,860) general revenue.

**COURT-ORDERED PAYMENTS**

Court supervision of the St. Louis and Kansas City school districts ended in 1999. State desegregation payments in the Kansas City case ended in Fiscal Year 1999 pursuant to a settlement in 1997. With passage of SB 781 in 1998, local voter approval of matching funds in February 1999, and court approval in March 1999, St. Louis desegregation operating budget payments were ended in Fiscal Year 1999, while transfer costs and capital improvement payments will be phased out. Fiscal Year 2001 payments totaled \$50 million, with \$25 million for voluntary transfer costs and \$25 million for capital costs. The Fiscal Year 2002 and Fiscal Year 2003 budgets included \$20 million for capital outlays in St. Louis. The Fiscal Year 2004 budget included \$16.5 million for capital outlays in St. Louis, while the Fiscal Year 2005 budget includes \$15 million for capital outlays in St. Louis. As these payments phase out, savings will be redirected to the school foundation formula for the benefit of school districts across the state.

**Fiscal Year 2005 Governor's Recommendations**

- (\$1,500,000) reallocated to the foundation formula.



# DEPARTMENT OF ELEMENTARY AND SECONDARY EDUCATION

## GENERAL ADMINISTRATION (Continued)

### FINANCIAL SUMMARY

	FY 2003 EXPENDITURE	FY 2004 APPROPRIATION	GOVERNOR RECOMMENDS FY 2005
Teachers Participating in the Career Ladder Program	17,101	17,412	17,625
Early Childhood Development Screenings	141,212	55,600	141,212
Families Served by Parent Education	157,366	133,751	133,751
Students Provided Early Childhood Special Education	10,049	10,049	10,049
Equity Formula	\$ 1,723,733,950	\$ 1,718,394,978	\$ 1,817,560,541
At-Risk Program	345,287,277	357,462,692	358,331,180
Transportation	155,962,401	152,167,319	162,067,713
Special Education	149,614,913	149,617,982	149,617,982
Remedial Reading	10,678,658	11,096,925	11,096,925
Early Childhood Special Education	69,421,995	81,274,784	102,011,209
Gifted Programs	23,932,898	23,415,942	24,870,104
Career Ladder	38,384,325	37,297,656	35,526,150
Vocational Education	52,765,428	52,080,428	52,880,428
Early Childhood Development	30,304,406	27,895,976	30,304,651
State Board Operated Schools	46,619,588	47,361,399	48,835,682
Formula Contingent Funding	24,900,000	0	0
<b>TOTAL</b>	<b>\$ 2,671,605,839</b>	<b>\$ 2,658,066,081</b>	<b>\$ 2,793,102,565</b>
General Revenue Fund	42,652,812	42,548,819	42,991,546
Federal Funds	2,259,610	3,105,413	4,136,969
Outstanding Schools Trust Fund	489,371,792	393,181,996	395,001,050
Bingo Proceeds for Education Fund	1,707,166	1,707,167	1,707,167
Lottery Proceeds Fund	88,240,365	88,792,997	98,880,607
State School Moneys Fund	2,039,726,875	2,128,729,689	2,250,385,226
Early Childhood Development, Education and Care Fund	7,647,219	0	0
<b>Full-time equivalent employees</b>	<b>899.91</b>	<b>888.72</b>	<b>882.59</b>

### SCHOOL FOUNDATION PROGRAM DISTRIBUTION

The foundation formula provides equitable education funding for school children. The formula apportions money to school districts based on local effort as measured by the local property tax levy for school purposes and on local wealth. Increased local effort results in higher state funding, while increased local wealth results in lower state funding. Fully funded, the formula ensures that a one-penny levy provides the same funding to 95 percent of all students from a combination of equity formula and local property tax revenues.

In addition, the Foundation Program includes funding for eight categorical add-on programs, including programs for special needs students, transportation, special education, gifted, remedial reading, career ladder, vocational education, and early childhood development programs. Extra funding is also provided to districts based on the number of students eligible for the federal Free- and Reduced-Price Lunch Program. While the money received for this program must be spent on programs for children with special educational needs, the local school district chooses which special needs programs will be funded.

If the formula is not fully funded, then the categorical add-on programs may not be fully funded. The system protects against the equity formula being shortchanged and provides more equity in funding. The transportation add-on pays school districts up to 75 percent of the allowable costs of school bus and other transportation. The special education add-on assists districts in providing required educational services to students with disabilities. The special education add-on also includes funding for early childhood special education that serves children ages three and four. The gifted add-on provides up to 75 percent of the cost of instructor salaries and materials to provide appropriate opportunities for gifted students.

## **DEPARTMENT OF ELEMENTARY AND SECONDARY EDUCATION**

### **GENERAL ADMINISTRATION (Continued)**

The Career Ladder Program provides an incentive to teachers, librarians, and counselors who voluntarily participate in professional development activities. The program provides for three career stages with salary supplements of up to \$1,500, \$3,000, and \$5,000. Each stage requires the teacher to obtain a higher level of professional development. This program is financed by state and local matching funds. Each district's local match is determined by its wealth, as measured by its assessed valuation per pupil, with wealthier districts paying a higher local match. In addition, teachers that complete the National Board for Professional Teaching Standards Program are automatically placed in the third career stage.

The Early Childhood Development Program authorizes state reimbursement to school districts that provide any of three programs for preschool children: 1) developmental screening to measure the progress of children and to determine problems, potential problems, or advanced abilities in understanding, use of language, sight, hearing, motor development, health, and physical development; 2) parent education to provide resource materials and guidance to parents to improve learning in the home; and 3) programs for developmentally delayed children to provide individual and group counseling and learning activities to help these children catch up with their peers before entering school.

State funding for vocational education programs serves as an incentive to public schools to offer vocational education programs. Also, some state vocational education funds are distributed to institutions of higher education, state agencies, and business establishments.

This appropriation also includes state funding for Missouri's State Board Operated Schools. This program is discussed in detail later in this budget.

### **Fiscal Year 2005 Governor's Recommendations**

- \$94,894,057 other funds for equity.
- \$20,736,425 other funds for the Early Childhood Special Education Program.
- \$9,900,394 state school moneys fund for the Transportation Program.
- \$2,408,675 state school moneys fund for the Parents As Teachers Program.
- \$1,454,162 other funds for the Gifted Program.
- \$1,000,000 federal funds for State Board Operated Schools.
- \$868,488 state school moneys fund for the At-Risk Program.
- \$800,000 state school moneys fund for the Vocational Education Program.
- \$649,399 for pay plan, including \$617,843 general revenue.
- \$1,771,506 state school moneys fund reallocated to equity from the Career Ladder Program.
- \$1,500,000 state school moneys fund reallocated to equity from court-ordered payments.
- \$1,000,000 state school moneys fund reallocated from the Safe Schools Program.
- (\$1,771,506) state school moneys fund reallocated from the Career Ladder Program to equity.
- (\$175,116) and (6.13) staff in core reduction from the Fiscal Year 2004 appropriation level.

### **EARLY GRADE LITERACY PROGRAM**

In addition to the professional development provided to teachers through the foundation formula, additional funding has been provided through this program to help improve early literacy teaching statewide. Funds are used to train Reading Recovery teachers across the state in order to encourage school districts to implement a Reading Recovery Program, train Early Literacy teachers who will work with small groups of at-risk students, and train teacher leaders at approved sites.

### **Fiscal Year 2005 Governor's Recommendations**

Continue funding at the current level.

### **SCHOOL FOOD SERVICES**

This program reimburses school districts for food services to enable them to offer nutritionally balanced, low-cost meals for school children. Federal funds, required state matching funds, local funds, and commodities donated by the U.S. Department of Agriculture minimize the meal charge to children.

### **Fiscal Year 2005 Governor's Recommendations**

- \$13,084,261 for school food services, including \$27,580 general revenue.

## **DEPARTMENT OF ELEMENTARY AND SECONDARY EDUCATION**

### **GENERAL ADMINISTRATION (Continued)**

#### **FAIR SHARE DISTRIBUTION**

Tax receipts from four cents per cigarette pack are deposited in the fair share fund established by Section 149.015, RSMo. Funds are distributed to elementary and secondary schools on the basis of average daily attendance of the school district.

#### **Fiscal Year 2005 Governor's Recommendations**

- (\$725,250) fair share fund core reduction from the Fiscal Year 2004 appropriation level.

#### **SCHOOL DISTRICT TRUST FUND DISTRIBUTION**

Proposition C provides a one percent sales tax for elementary and secondary education. Revenue generated by this tax is deposited in the school district trust fund and distributed based on the number of eligible pupils in each school district.

#### **Fiscal Year 2005 Governor's Recommendations**

- \$12,452,542 school district trust fund for distribution to school districts.

#### **COUNTY FOREIGN INSURANCE TAX**

The county foreign insurance tax represents the receipts of a two percent, per annum tax levied on the direct premiums of insurance companies not based in Missouri but doing business in Missouri. One-half of the net receipts of the county foreign insurance tax from the previous year are distributed by the state to school districts on the basis of the number of school children within each county pursuant to Section 148.360, RSMo.

#### **Fiscal Year 2005 Governor's Recommendations**

- (\$15,700,000) core reduction from the Fiscal Year 2004 appropriation level.

#### **SCHOOL DISTRICT BOND PROGRAM**

SB 301 (1995) created the school district bond fund for use by the Missouri Health and Education Facilities Authority to pay costs associated with school bond issues and credit enhancement. The law allows up to \$7 million per year to be transferred from the gaming proceeds for education fund to the school district bond fund.

#### **Fiscal Year 2005 Governor's Recommendations**

Continue funding at the current level.

#### **FEDERAL GRANTS AND DONATIONS**

The federal grants and donations appropriation provides authority to accept and make use of federal grants and donations that may become available during the fiscal year. The department will notify the House and Senate budget committees and the Office of Administration prior to acceptance of any new financial assistance or grants.

#### **Fiscal Year 2005 Governor's Recommendations**

- (\$12,500,000) federal funds core reduction from the Fiscal Year 2004 appropriation level.

## **DEPARTMENT OF ELEMENTARY AND SECONDARY EDUCATION**

### **DIVISIONS OF SCHOOL IMPROVEMENT/TEACHER QUALITY AND URBAN EDUCATION**

#### **DIVISION OF SCHOOL IMPROVEMENT**

The Division of School Improvement provides consultant services to administrators and teachers in the areas of instruction and curriculum development. The division classifies and accredits school districts through the Missouri School Improvement Program. The division assists school districts in expanding or improving curriculum and instructional programs. It administers three Outstanding Schools Act programs and provides payments and local program approval for the Early Childhood Development and the Safe Schools programs. The division also assists school districts in establishing and funding gifted education programs and administers the Missouri Scholars and Fine Arts Academies. In addition, the division manages the following federal programs: Compensatory Education, Instructional Improvements Grants, Math/Science Instruction Grant, and Drug Abuse Education.

#### **Fiscal Year 2005 Governor's Recommendations**

- \$81,337 for pay plan, including \$24,866 general revenue.
- (\$51,300) and (one) staff reallocated to the Division of Teacher Quality and Urban Education.
- (\$48,956) and (one) staff in core reduction from the Fiscal Year 2004 appropriation level.

#### **DIVISION OF TEACHER QUALITY AND URBAN EDUCATION**

The Division of Teacher Quality and Urban Education contains the teacher certification, professional conduct and investigation, teacher recruitment and retention, professional development, and urban education sections. The division issues teaching certificates, conducts background checks, reviews teacher education preparation programs and provides opportunities to teachers and administrators for ongoing professional development. The division administers the National Board for Professional Teaching Standards Program, the Career Ladder Program, and teacher education assessment.

#### **Fiscal Year 2005 Governor's Recommendations**

- \$20,230 for pay plan, including \$18,502 general revenue.
- \$51,300 and one staff reallocated from the Division of School Improvement.
- (\$73,866) and (two) staff in core reduction from the Fiscal Year 2004 appropriation level, including (\$48,354) general revenue.

#### **TITLE II, PART D - COMPUTER NETWORKING**

Federal funds are available to local schools under Title II to improve student academic achievement through the use of technology in elementary and secondary schools. Funds are used to allow school districts to implement comprehensive school improvement plans through the use of technology. Priority is given to schools that serve large numbers or percentages of economically disadvantaged students and schools designated as "technology poor."

#### **Fiscal Year 2005 Governor's Recommendations**

- \$560,000 federal funds for technology grants.

#### **TITLE I – COMPENSATORY EDUCATION**

Federal funds are available to local schools under Title I for compensatory education. Entitlements are awarded to school districts, institutions for delinquents, state institutions for the disabled, and adult correctional institutions with inmates under the age of 21. The grants are used to fund programs in remedial math, language arts, and reading.

#### **Fiscal Year 2005 Governor's Recommendations**

Continue funding at the current level.

## **DEPARTMENT OF ELEMENTARY AND SECONDARY EDUCATION**

### **DIVISIONS OF SCHOOL IMPROVEMENT/TEACHER QUALITY AND URBAN EDUCATION (Continued)**

#### **TITLE I – READING FIRST GRANT PROGRAM**

Funded through Title I, this grant program provides resources to school districts for teacher professional development focused on reading instruction. The program serves students in the primary grades and a small portion may also be used for purchasing reading materials used for instruction.

##### **Fiscal Year 2005 Governor's Recommendations**

- \$15,000,000 federal funds for the Reading First Grant Program.

#### **FEDERAL INSTRUCTIONAL IMPROVEMENT GRANTS**

Under Title VI, states receive a percentage share of the federal appropriation based on the population from ages 5 through 17 years. At least 85 percent of the funds received by a state must be passed through to local educational agencies for education reform, programs for at-risk youth, professional development, and class size reduction.

##### **Fiscal Year 2005 Governor's Recommendations**

Continue funding at the current level.

#### **STEPHEN M. FERMAN MEMORIAL FOR EDUCATION OF THE GIFTED**

Mr. Milton Ferman and Mrs. Frieda Morgan Ferman established the Stephen Morgan Ferman Memorial for Education of the Gifted. Donations were made in their son's name, and the annual income may be expended through the state school moneys fund to enhance the educational opportunities of teachers of the gifted.

##### **Fiscal Year 2005 Governor's Recommendations**

Continue funding at the current level.

#### **MISSOURI SCHOLARS AND FINE ARTS ACADEMIES**

The Missouri Scholars and Fine Arts Academies are three-week summer sessions for gifted students. The academies assist gifted students to achieve their full potential and stimulate the establishment and improvement of programs for gifted students.

##### **Fiscal Year 2005 Governor's Recommendations**

Continue funding at the current level.

#### **EARLY CHILDHOOD PROGRAM**

The Early Childhood Program provides grants to schools and community partnerships for early childhood development and education programs.

##### **Fiscal Year 2005 Governor's Recommendations**

Continue funding at the current level.

#### **A+ SCHOOLS PROGRAM**

The Outstanding Schools Act established the A+ Schools Program. A+ Schools must design programs to ensure that all students graduate from school, complete a challenging course of studies with identified learner expectations, and proceed from graduation to postsecondary education or a high-wage job. The program provides career choices and community college scholarships for students who might otherwise be unable to attend college.

##### **Fiscal Year 2005 Governor's Recommendations**

Continue funding at the current level

## **DEPARTMENT OF ELEMENTARY AND SECONDARY EDUCATION**

### **DIVISIONS OF SCHOOL IMPROVEMENT/TEACHER QUALITY AND URBAN EDUCATION (Continued)**

#### **STUDENT ASSESSMENT PROGRAM**

The Outstanding Schools Act requires the Department of Elementary and Secondary Education to develop a statewide assessment system for districts to determine the degree to which their students are proficient in the knowledge, skills, and competencies necessary to be successful in the workplace and postsecondary education. The assessment must show what students can do as well as what they know. The Federal No Child Left Behind Act requires these assessments to be expanded to additional grade levels.

#### **Fiscal Year 2005 Governor's Recommendations**

Continue funding at the current level.

#### **ADVANCED PLACEMENT AND DUAL CREDIT INCENTIVES**

The budget includes state funds to recognize public high school students who perform at a "proficient" or "advanced" level on statewide assessments. School districts will be eligible to receive grants on behalf of eligible students. The grants will pay for courses and/or exam fees that lead to college credit for these students. Federal funds are also available to assist low-income children in taking advanced placement examinations for college credit.

#### **Fiscal Year 2005 Governor's Recommendations**

Continue funding at the current level.

#### **TITLE II – IMPROVING TEACHER QUALITY**

Funded through Title II, the federal Improving Teacher Quality Program authorizes grants to state and local education agencies for instructional improvements. School districts may use the funds to upgrade the skills and recruitment of teachers and administrators and to reduce class size.

#### **Fiscal Year 2005 Governor's Recommendations**

Continue funding at the current level.

#### **SCHOOL RENOVATION PROGRAM**

The federal School Renovation Program provides grants to states for urgent school renovation, activities authorized under the Individuals with Disabilities Education Act, technology activities related to school renovation, and charter school facility financing.

#### **Fiscal Year 2005 Governor's Recommendations**

- (\$14,252,588) federal funds core reduction from the Fiscal Year 2004 appropriation level.

#### **SAFE AND DRUG FREE SCHOOLS GRANT**

The Department of Elementary and Secondary Education is eligible, on behalf of schools or groups of schools, for federal assistance under Title IV. The objectives of this program are to establish or designate local or regional advisory councils on drug abuse prevention; to establish or augment drug abuse education and prevention programs for students; and to coordinate school-based drug abuse programs with other programs in the community and with state and local health, drug and alcohol abuse, and law enforcement agencies.

#### **Fiscal Year 2005 Governor's Recommendations**

Continue funding at the current level.

## **DEPARTMENT OF ELEMENTARY AND SECONDARY EDUCATION**

### **DIVISIONS OF SCHOOL IMPROVEMENT/TEACHER QUALITY AND URBAN EDUCATION (Continued)**

#### **SAFE SCHOOLS GRANTS**

The Safe Schools Grant Program is designed to help school districts implement safe school strategies to meet local needs. The grants can be used to purchase devices to improve physical security; to work with local police departments to provide police officers in school buildings; to develop other programs to increase security; and to place violent, abusive, and disruptive students in alternative education settings.

#### **Fiscal Year 2005 Governor's Recommendations**

- (\$800,000) lottery proceeds fund reallocated to DSS/DMH School Placements to reflect anticipated reduced spending by schools.
- (\$200,000) reallocated to the foundation formula to reflect anticipated reduced spending by schools.

#### **PUBLIC CHARTER SCHOOLS PROGRAM**

The Public Charter Schools Program was established to provide federal financial assistance for charter schools. Federal grants are awarded for planning, program design, and initial implementation of a charter school, and state funding is provided for the statutorily required evaluation of Missouri's charter schools.

#### **Fiscal Year 2005 Governor's Recommendations**

Continue funding at the current level.

#### **SCHOLARSHIP PROGRAM**

The Scholarship Program established by the Excellence in Education Act of 1985 provides \$2,000 non-renewable scholarships to teacher education students. The department provides \$1,000 of the cost of each scholarship with \$1,000 provided by the participating college or university.

#### **Fiscal Year 2005 Governor's Recommendations**

Continue funding at the current level.

#### **COMPREHENSIVE SCHOOL REFORM DEMONSTRATION INITIATIVE**

The Comprehensive School Reform Demonstration Initiative authorizes a research-based reform program that will allow grant awards to public schools for the implementation of whole-school, research-based reforms that qualify for funding.

#### **Fiscal Year 2005 Governor's Recommendations**

Continue funding at the current level.

#### **RURAL AND LOW-INCOME SCHOOLS**

Funding through Title VI, the Federal Rural and Low-Income Schools Program, authorizes grants to rural and low-income schools for resources needed to obtain federal grants.

#### **Fiscal Year 2005 Governor's Recommendations**

Continue funding at the current level.

#### **TITLE III – LANGUAGE ACQUISITION**

Funding through Title III, the federal Language Acquisition Program, authorizes grants to ensure that children attain English proficiency.

#### **Fiscal Year 2005 Governor's Recommendations**

Continue funding at the current level.

## **DEPARTMENT OF ELEMENTARY AND SECONDARY EDUCATION**

### **DIVISIONS OF SCHOOL IMPROVEMENT/TEACHER QUALITY AND URBAN EDUCATION (Continued)**

#### **FEDERAL REFUGEE PROGRAM**

The federal Department of Health and Human Services provides funding through the Refugee Children School Impact Grants Program to states and school districts. The funding defrays some of the costs faced by local school districts with significant numbers of refugee children.

#### **Fiscal Year 2005 Governor's Recommendations**

Continue funding at the current level.

#### **CHARACTER EDUCATION INITIATIVE**

The Character Education Initiative provides character education teacher training and resources to Missouri school districts. The training and resources will allow schools to emphasize the importance of universal values.

#### **Fiscal Year 2005 Governor's Recommendations**

Continue funding at the current level.

#### **MISSOURI STATE ACTION FOR EDUCATION LEADERSHIP PROJECT**

The Missouri State Action for Education Leadership Project is a federal grant program designed to further the recruitment, training, and retention of school principals. The grant is funded from the Wallace Readers Digest group through the Council of Chief State School Officers.

#### **Fiscal Year 2005 Governor's Recommendations**

Continue funding at the current level.



## **DEPARTMENT OF ELEMENTARY AND SECONDARY EDUCATION**

### **DIVISION OF VOCATIONAL REHABILITATION**

The Division of Vocational Rehabilitation provides services to Missourians with disabilities to help them overcome impediments to employment. Counseling, training, and medical services are provided based on the specific needs of each client. Vocational Rehabilitation counselors evaluate each client and prepare an individual rehabilitation plan.

#### **Fiscal Year 2005 Governor's Recommendations**

- \$507,687 for pay plan, including \$6,171 general revenue.
- (\$1,453,398) and (35) staff in core reduction from the Fiscal Year 2004 appropriation level, including (\$15) general revenue.

### **VOCATIONAL REHABILITATION GRANT**

The Vocational Rehabilitation Program provides job training, medical assistance, and other services to individuals with disabilities to help them function effectively in the job market. To be eligible for vocational rehabilitation services, a person must have a physical or mental disability that interferes with his or her ability to obtain or hold employment and have a reasonable chance of being able to work in suitable employment if appropriate services are provided.

#### **Fiscal Year 2005 Governor's Recommendations**

- \$240,106 for vocational rehabilitation grants.

### **DISABILITY DETERMINATIONS GRANT**

The federal Social Security Administration contracts with the Department of Elementary and Secondary Education to determine whether applicants for Social Security benefits meet the necessary criteria for disabilities. The program involves purchasing extensive medical and vocational evaluations. An applicant's cost of travel to examinations is also paid from this grant. The program is funded entirely from federal funds.

#### **Fiscal Year 2005 Governor's Recommendations**

- (\$2,000,000) federal funds core reduction from the Fiscal Year 2004 appropriation level.

### **PERSONAL CARE ASSISTANCE**

Many individuals with severe physical disabilities are confined to their homes or to institutions because they are unable to perform routine daily tasks such as bathing, dressing, and eating. The Personal Care Assistance Program provides personal attendant care to such persons to enable them to live more independently, maintain their current employment, or become employable.

#### **Fiscal Year 2005 Governor's Recommendations**

- \$8,003,958 for the Personal Care Assistance Program, including \$2,899,411 general revenue.

### **INDEPENDENT LIVING CENTERS**

The department is authorized to establish and maintain independent living centers to ensure statewide access for the severely disabled. Centers provide disabled Missourians with self-help skills and knowledge to live more independently.

#### **Fiscal Year 2005 Governor's Recommendations**

Continue funding at the current level.

## **DEPARTMENT OF ELEMENTARY AND SECONDARY EDUCATION**

### **DIVISION OF VOCATIONAL REHABILITATION (Continued)**

#### **PROJECT SUCCESS GRANT**

The federal program, Strategies Utilizing Collaboration for Competitive Employment and Self Sufficiency (SUCCESS), authorizes the Division of Vocational Rehabilitation to expand employment opportunities for individuals with mental or physical disabilities who receive public support. A pilot project will be developed for the Missouri Career Center located in Columbia, Missouri, with the intention to exhibit promising new strategies for replication across Missouri's 14 workforce investment regions.

#### **Fiscal Year 2005 Governor's Recommendations**

Continue funding at the current level.

## **DEPARTMENT OF ELEMENTARY AND SECONDARY EDUCATION**

### **DIVISION OF VOCATIONAL AND ADULT EDUCATION**

The Division of Vocational and Adult Education provides individuals with services that supply the technical knowledge and skills needed to prepare for employment. The division also develops state plans for vocational and adult education and literacy that form the basis for distribution of federal and state funds to local education agencies. Other division responsibilities include reviewing and approving vocational and adult education programs operated by local education agencies, processing applications for the tests of General Educational Development (GED), and assisting with the development and implementation of skill training programs for unemployed and underemployed adults.

#### **Fiscal Year 2005 Governor's Recommendations**

- \$65,074 for pay plan, including \$24,804 general revenue.
- (\$14,965) core reduction from the Fiscal Year 2004 appropriation level.

#### **DISTRIBUTION TO SCHOOLS**

Grants are provided to educational institutions for improving vocational-technical programs. The grants may be used to provide new programs, enhance curricula, and upgrade equipment and facilities. At least 75 percent of program funding must be used for projects related to occupations with high labor market demand-to-supply ratios.

The state provides financial support to vocational programs located in public school districts, institutions of higher education, state agencies, and business establishments. Programs are designed to prepare individuals for gainful employment. The department distributes federal vocational funds and state funds to local school districts according to guidelines developed in an annual state plan for vocational education. The state and federal funds serve as an incentive to public schools to offer vocational education programs.

Since Fiscal Year 1987, new funds for area vocational schools are distributed through the "Effectiveness Index Formula," which resulted from an intensive study of vocational education completed in 1984. The formula rewards schools that provide programs with high placement rates and high labor market demand-to-supply ratios.

#### **Fiscal Year 2005 Governor's Recommendations**

- (\$5,064,693) federal funds core reduction from the Fiscal Year 2004 appropriation level.

#### **WORKFORCE INVESTMENT ACT GRANTS**

The federal Workforce Investment Act provides federal funds that can be used for skill training for 15 service delivery areas in Missouri. The service delivery areas contract with the Department of Elementary and Secondary Education to plan, implement, and administer skill-training programs. Vocational schools, community colleges, or proprietary schools conduct the actual training.

#### **Fiscal Year 2005 Governor's Recommendations**

- \$1,039,060 federal funds for Workforce Investment Act grants.
- (\$269,820) federal funds reallocated to the School Age Childcare Program.

#### **ADULT BASIC EDUCATION**

The Department of Elementary and Secondary Education works with local public schools to establish adult basic education programs. The adult basic education programs provide training in the fundamental skills of English, reading, and mathematics. To enroll in a class, a person must be 16 years of age or older, out of school, and lacking a high school diploma.

#### **Fiscal Year 2005 Governor's Recommendations**

- (\$500,000) federal funds core reduction from the Fiscal Year 2004 appropriation level.

## **DEPARTMENT OF ELEMENTARY AND SECONDARY EDUCATION**

### **DIVISION OF VOCATIONAL AND ADULT EDUCATION (Continued)**

#### **SPECIAL LITERACY GRANT AWARD PROGRAM**

The Special Literacy Grant Award Program was established to respond to the increasing numbers of adults needing adult basic education services. A significant number of adults request services due to the mandatory participation requirements of the federal TANF/FUTURES Program.

#### **Fiscal Year 2005 Governor's Recommendations**

Continue funding at the current level.

#### **SCHOOL-AGE CHILDCARE**

The federal Childcare and Development Block Grant provides funds to house school-aged childcare programs in school buildings when they are not being used for educational classes. Program evaluation and technical assistance are provided to local schools interested in implementing school-age childcare programs. The childcare programs must be in compliance with state and local licensing laws and regulations governing care for school-aged children.

#### **Fiscal Year 2005 Governor's Recommendations**

- \$5,000,000 federal funds for School Aged Childcare Program.
- \$269,820 federal funds reallocated from Workforce Investment Act grants.

#### **TROOPS TO TEACHERS**

The Troops to Teachers Program is designed to encourage military personnel transitioning to the civilian labor force to consider teaching as a post-military career.

#### **Fiscal Year 2005 Governor's Recommendations**

Continue funding at the current level.

## **DEPARTMENT OF ELEMENTARY AND SECONDARY EDUCATION**

### **DIVISION OF SPECIAL EDUCATION**

The Division of Special Education is responsible for state and federal special education funds for Missouri public schools. The division also administers the budgets appropriated for the State Schools for the Severely Handicapped, School for the Deaf, and School for the Blind. Staff in the division monitor local school district programs for compliance with state and federal laws. The division also provides technical assistance and distributes state funds to the extended employment sheltered workshops.

#### **Fiscal Year 2005 Governor's Recommendations**

- \$36,621 for pay plan, including \$3,870 general revenue.
- (\$421) core reduction from the Fiscal Year 2004 appropriation level.

### **SPECIAL EDUCATION GRANT**

The Special Education Program provides federal grants to school districts to assist them in education programs and services for disabled children at the preschool, elementary, and secondary levels. The grants are used to purchase instructional and technological equipment and to purchase the services of teachers, ancillary staff, diagnostic staff, and administrators for better management of services to people with disabilities. The funds may also be used to provide in-service training for special education teachers and financial assistance to special education teachers working toward full certification.

#### **Fiscal Year 2005 Governor's Recommendations**

- \$20,000,000 federal funds for special education grants.

### **EXCESS COSTS/SEVERE DISABILITIES SERVICES**

The Excess Costs/Severe Disabilities Services Program was established to assist school districts in providing special education services to students with severe disabilities that would otherwise attend a State Board Operated School.

#### **Fiscal Year 2005 Governor's Recommendations**

- (\$2,128,633) federal funds core reduction from the Fiscal Year 2004 appropriation level.

### **FIRST STEPS**

First Steps is an early childhood intervention program that serves children with severe developmental delays from birth to age two.

#### **Fiscal Year 2005 Governor's Recommendations**

- \$8,773,142 for the First Steps Program, including \$2,773,142 general revenue.

### **DSS/DMH SCHOOL PLACEMENTS**

Children in residential placements through the Department of Social Services or the Department of Mental Health often are enrolled in schools outside their home districts. The state reimburses the districts where these children attend school for certain educational services when the costs exceed the amount received from the children's domiciliary districts and regular state school payments.

#### **Fiscal Year 2005 Governor's Recommendations**

- \$800,000 lottery proceeds fund reallocated from safe schools grants.
- (\$800,000) reallocated to the foundation formula.

## **DEPARTMENT OF ELEMENTARY AND SECONDARY EDUCATION**

### **DIVISION OF SPECIAL EDUCATION (Continued)**

#### **OPERATING MAINTENANCE AND REPAIR**

The State Board of Education operates two residential facilities, the School for the Blind in St. Louis and the School for the Deaf in Fulton, and day-school facilities – the State Schools for the Severely Handicapped located throughout the state. This program allows maintenance staff to purchase materials and supplies to perform preventive maintenance.

#### **Fiscal Year 2005 Governor's Recommendations**

Continue funding at the current level.

#### **SHELTERED WORKSHOPS**

Sheltered workshops are not-for-profit corporations that give people with disabilities a controlled working environment. Programs are designed to enable persons to progress toward normal living and develop their work capacities. A workshop is set up and operated as a business. The manager of the workshop bids on and acquires contracts for work from industries in the community. The Department of Elementary and Secondary Education assists the workshops in management, production, bidding, and pricing techniques.

#### **Fiscal Year 2005 Governor's Recommendations**

Continue funding at the current level.

#### **READERS FOR THE BLIND**

The Readers for the Blind Program provides payments of \$500 per year per blind student enrolled in elementary and secondary schools to employ readers. Blind students attending local elementary and secondary schools need reading assistance when Braille or large print materials are unavailable.

#### **Fiscal Year 2005 Governor's Recommendations**

- (\$14,000) core reduction from the Fiscal Year 2004 appropriation level.

#### **BLIND LITERACY TASK FORCE**

The Blind Literacy Task Force was established to develop goals and objectives to guide the improvement of special education, related services, vocational training, transition from school to work, rehabilitation services, independent living, and employment outcomes for blind and visually impaired students.

#### **Fiscal Year 2005 Governor's Recommendations**

Continue funding at the current level.

## **DEPARTMENT OF ELEMENTARY AND SECONDARY EDUCATION**

### **BOARD OPERATED SCHOOLS OPERATIONS**

The Missouri School for the Deaf provides elementary and secondary education in a residential environment for deaf- or hearing-impaired students from ages 5 to 21 years. Located in Fulton, Missouri, the school provides separate facilities for primary age, intermediate age, and high school students. To be admitted to the Missouri School for the Deaf, a child must be a resident of Missouri and manifest a hearing loss that seriously limits his or her chances of success in a regular public school program. The school is tuition-free with no charge for room, board, transportation, laundry, or books. In addition to direct educational programs, the school offers extensive outreach and resource services to local educational agencies.

The Missouri School for the Blind, located in St. Louis, Missouri, offers elementary and secondary education in a residential school environment for blind or visually impaired students from ages 5 to 21. The school provides special teaching methods, materials, and curriculum needed by children with vision impairment. A program for students provides diagnosis, evaluation, individualized programming, physical therapy, occupational therapy, speech and language therapy, adaptive physical education, and audiological examinations.

State law mandates that all children in Missouri, regardless of any disabling condition, be entitled to an appropriate educational program. For students too severely disabled to be served effectively by local public schools, the Department of Elementary and Secondary Education operates 37 state schools and contracts with private non-profit agencies to provide educational services for children the state schools cannot practically serve. These schools offer day programs in basic and prevocational training with the ultimate goal of assisting students in functioning semi-independently in their homes and communities. Programs include self-care, sensory and perceptual training, language development, interpersonal relations, home-living, and functional academics. The state provides transportation for the students. State funding for the State Board Operated Schools is appropriated in the Foundation Program.

### **SCHOOL FOR THE DEAF TRUST FUND**

The School for the Deaf Trust Fund was established by law to receive gifts and bequests from individuals who wish to assist the Missouri School for the Deaf. The funds are invested or used for program improvements and facility additions at the School for the Deaf. Some funds are specifically donated for awards to students in areas such as scholarship, character, and leadership.

### **Fiscal Year 2005 Governor's Recommendations**

Continue funding at the current level.

### **SCHOOL FOR THE BLIND TRUST FUND**

The School for the Blind Trust Fund was established by law to receive gifts and bequests from individuals who wish to assist the Missouri School for the Blind. The funds are invested or used for program improvements and facility additions at the School for the Blind.

### **Fiscal Year 2005 Governor's Recommendations**

Continue funding at the current level.

### **STATE SCHOOLS FOR THE SEVERELY HANDICAPPED TRUST FUND**

The Handicapped Children's Trust Fund was established to receive gifts and bequests from individuals who wish to assist the State Schools for the Severely Handicapped. The money in the fund is invested each year in short-term securities or used to purchase supplies, equipment, and materials used in the state schools.

### **Fiscal Year 2005 Governor's Recommendations**

Continue funding at the current level.

## DEPARTMENT OF ELEMENTARY AND SECONDARY EDUCATION

### COMMISSION FOR THE DEAF AND HARD OF HEARING

Section 161.400, RSMo, authorized establishment of the Missouri Commission for the Deaf and Hard of Hearing within the Department of Elementary and Secondary Education. SB 568 (1994) established a Board for Certification of Interpreters within the Commission for the Deaf. The board is responsible for certifying interpreters for the deaf prior to licensure.

#### Fiscal Year 2005 Governor's Recommendations

- \$4,053 for pay plan.
- (\$1,914) core reduction from the Fiscal Year 2004 appropriation level.

### TRANSFER OF FUNDS TO OUTSTANDING SCHOOLS TRUST FUND

The Outstanding Schools Act (1993) provides revenues for the formula equity provisions of the act. These revenues are transferred from general revenue into the outstanding schools trust fund to pay for the initiatives in the Outstanding Schools Act.

#### Fiscal Year 2005 Governor's Recommendations

- Total funds to be transferred from general revenue to the outstanding schools trust fund \$ 396,200,000

	FY 2003 EXPENDITURE	FY 2004 APPROPRIATION	GOVERNOR RECOMMENDS FY 2005
General Revenue Fund	\$ 421,300,000	\$ 394,400,000	\$ 396,200,000

### TRANSFER OF FUNDS TO STATE SCHOOL MONEYS FUND

Funds are transferred from general revenue and the gaming proceeds for education fund to the state school moneys fund to meet appropriation obligations.

#### Fiscal Year 2005 Governor's Recommendations

- Total recommended appropriation from state school moneys fund \$ 2,250,545,226
- Less amount available in state school moneys fund from gaming proceeds, gaming admission fees, the school building revolving fund, cigarette taxes, investment earnings, prior year lapse, Ferman Memorial funds, and the balance (417,047,212)
- Total funds to be transferred from general revenue to state schools moneys fund \$ 1,833,498,014
- Total funds transferred from gaming proceeds for education fund 355,650,000
- Total transferred to the state school moneys fund \$ 2,189,148,014

	FY 2003 EXPENDITURE	FY 2004 APPROPRIATION	GOVERNOR RECOMMENDS FY 2005
General Revenue Fund	\$ 1,598,436,351	\$ 1,837,494,202	\$ 1,833,498,014
Gaming Proceeds for Education Fund	<u>241,313,361</u>	<u>231,380,000</u>	<u>355,650,000</u>
TOTAL	\$ 1,839,749,712	\$ 2,068,874,202	\$ 2,189,148,014



**DEPARTMENT OF ELEMENTARY AND SECONDARY EDUCATION**

**TRANSFER OF FUNDS TO SCHOOL DISTRICT BOND FUND**

SB 301 (1995) allows up to \$7 million to be transferred from the gaming proceeds for education fund to the school district bond fund for use by the Missouri Health and Education Facilities Authority to pay costs associated with school bond issues and credit enhancement.

**Fiscal Year 2005 Governor's Recommendations**

Continue funding at the current level.

	FY 2003 EXPENDITURE	FY 2004 APPROPRIATION	GOVERNOR RECOMMENDS FY 2005
Gaming Proceeds for Education Fund	\$ 2,271,458	\$ 450,000	\$ 450,000

# DEPARTMENT OF HEALTH AND SENIOR SERVICES

## FINANCIAL SUMMARY

	FY 2003 EXPENDITURE	FY 2004 APPROPRIATION	FY 2005 REQUEST	GOVERNOR RECOMMENDS FY 2005
Health Administration	\$ 11,838,002	\$ 20,900,068	\$ 22,013,218	\$ 22,174,547
State Public Health Laboratory	6,464,033	8,719,495	8,625,079	\$ 8,561,318
Center for Health Information Mgt. & Evaluation	10,583,518	12,872,845	12,648,216	12,758,386
Center for Local Public Health Services	9,980,798	9,769,976	9,772,088	9,782,732
Center for Emergency Response and Terrorism	10,325,939	29,363,866	29,987,992	30,053,873
Environmental Health and Communicable Disease Prevention	31,370,571	35,300,654	38,178,589	38,319,394
Division of Community Health	180,253,311	196,924,374	203,601,774	203,073,716
Senior Services and Regulation	95,823,228	110,479,032	105,823,037	106,535,202
Missouri Senior Rx Program	10,150,932	16,478,288	23,942,034	23,942,034
Missouri Health Facilities Review Committee	182,784	192,928	151,372	153,768
DEPARTMENTAL TOTAL	\$ 366,973,116	\$ 441,001,526 *	\$ 454,743,399	\$ 455,354,970
General Revenue Fund	79,042,857	81,863,107	93,094,357	92,634,628
Federal Funds	259,181,362	318,438,264	319,941,774	320,939,791
Division of Aging Donations Fund	0	50,000	50,000	50,000
Nursing Facility Quality of Care Fund	2,190,825	3,373,257	3,362,120	3,383,882
Health Initiatives Fund	5,227,070	5,406,873	5,406,873	5,407,679
Health Access Incentive Fund	3,983,002	3,193,482	3,193,482	3,196,399
Mammography Fund	33,945	70,402	70,402	71,446
Division of Aging Elderly Home Delivered Meals Trust Fund	93,966	430,000	430,000	430,000
Missouri Public Health Services Fund	1,637,764	3,215,501	4,071,506	4,091,156
Professional and Practical Nursing Student Loan and Nurse Loan Repayment Fund	499,924	535,835	585,835	587,102
Medical School Loan and Loan Repayment Program Fund	50,000	50,000	50,000	50,000
Healthy Families Trust Fund (HFT)-Health Care Treatment and Access Account	301,476	0	0	0
Department of Health Document Services Fund	574,525	815,012	909,212	913,712
Workers' Compensation Fund	74,563	140,163	140,163	142,446
Department of Health - Donated Fund	1,341,578	4,514,453	4,383,426	4,393,384
HFT-Senior Prescription Account	11,130,932	16,478,288	16,478,288	16,478,288
Hazardous Waste Remedial Fund	190,741	241,409	241,409	244,827
Board of Nursing Home Administrators Fund	0	0	149,072	149,072
Organ Donor Program Fund	298,523	357,482	357,482	359,531
Early Childhood Development, Education and Care Fund	943,611	991,998	991,998	995,627
Smith Memorial Endowment Trust Fund	35,000	35,000	35,000	35,000
Blindness Education, Screening and Treatment Program Fund	6,284	250,000	250,000	250,000
Missouri Lead Abatement Loan Fund	0	276,000	276,000	276,000
Crippled Children Fund	135,168	275,000	275,000	275,000
Full-time equivalent employees	2,003.80	2,138.42	2,175.52	2,173.52

\* Does not include \$1,708,102 federal and other funds recommended in Fiscal Year 2004 Supplemental Appropriations. See the Supplemental section of the Missouri Budget for details regarding the Department of Health and Senior Services supplemental appropriations.

## DEPARTMENT OF HEALTH AND SENIOR SERVICES

### POLICY SUMMARY

Governor Holden's budget for Fiscal Year 2005 provides a total of \$455.4 million for the Department of Health and Senior Services. The department provides services to protect and promote the health of Missourians. The core functions provided by the Department of Health and Senior Services include:

- Safeguarding the public health, safety, and well-being of all Missourians.
- Providing health services, home and community services, and prescription benefits to Missouri senior citizens.
- Preventing and controlling communicable and genetic diseases.
- Preventing and reducing the burden of chronic diseases.
- Protecting Missourians through regulation and inspection of various facilities including hospitals, nursing facilities, and child and adult daycare programs.

#### **Safeguard the Public Health**

In response to the terrorist events in this country, Missouri continues to improve the detection, analysis, surveillance, and response capabilities to the potential release of biohazardous materials in the state. The same system can be used in the event of natural disasters or environmental hazards. In addition to this role, the department performs core public health functions that are necessary to protect the health of all Missourians, including inspections of restaurants, hospitals, nursing homes, food processing plants, lead abatement projects, and child and adult daycare programs. The Governor's Fiscal Year 2005 recommendations include:

- \$613,326 federal funds for the Public Health Preparedness and Response for Bioterrorism Grant.
- \$74,765 other funds for lead licensing and lead abatement project inspections.

Some performance measures the Department of Health and Senior Services uses to evaluate its goal of safeguarding the public follow:

	2000	2001	2002
Percentage of childcare providers found in compliance with health and safety standards on first inspection	32.0%	28.0%	38.0%
Percentage of children with elevated blood lead levels	10%	8%	6%
Number of substandard hospital care cases	2,570	2,803	2,966 (prov)

#### **Maintain Support and Home and Community Based Services for Elderly Citizens**

Governor Holden supports services to help seniors and adults with disabilities maintain their independence and safety. The number of Missouri seniors, those over 65, is rapidly increasing. In 2000, 755,379 seniors resided in Missouri, of whom 10 percent lived in poverty. By 2025 the number of seniors will exceed 1.2 million and will comprise almost 20 percent of Missouri's population, up from 13.5 percent in 2000. Senior citizens desire to reside in their homes through the end of their lives. Governor Holden's recommendations help low-income seniors remain in their homes and communities by providing services such as nurse visits, adult day care, and home-delivered meals. In addition, the Governor directed a joint effort between the Departments of Health and Senior Services and Social Services to maximize funding for the Missouri Care Options Program, which provides alternatives to facility-based care for seniors. This program also reduces the overall cost of care for those able to live independently. For those seniors who need the care provided by nursing facilities, inspections, training, investigations, licensing, and compliance activities promote safe and quality care. The investigation of abuse and neglect cases in both home settings and in facilities also helps ensure safety. While many of these safeguards have been in place for some time, the recently passed elderly protection bill, Senate Bills 556 and 311 (2003), extended these protections and increased the penalties for non-compliance.

The Missouri Senior Rx Program moved into its second year in Fiscal Year 2004. The program is serving approximately 18,850 low-income seniors by helping to defray the cost of prescription drugs. The average annual income for current participants is only \$12,322. After qualifying seniors meet an annual deductible, the Missouri Senior Rx Program will pay 60 percent of the cost of prescription medications up to a maximum of \$5,000 a year. The Governor's Fiscal Year 2005 recommendations include:

- \$7.5 million for increased enrollment of seniors in the Missouri Senior Rx Program.

## DEPARTMENT OF HEALTH AND SENIOR SERVICES

### POLICY SUMMARY (Continued)

Some performance measures used by the Department of Health and Senior Services to evaluate the health, safety, and independence of Missouri's elderly and disabled citizens follow:

	2000	2001	2002
Incidence of elder abuse	9,870	9,761	9,906
Percentage of Medicare/Medicaid long-term care facilities in substantial compliance	23.3%	18.0%	14.0%
Percent of eligible adults potentially eligible for nursing facility placement who receive in-home services	16.7%	17.1%	17.0%
Percentage of Medicaid recipients receiving community-based services	16.1%	17.1%	17.0%

### Protect the Health of Missouri's Children

The Department of Health and Senior Services has focused its efforts on priority health problems among Missourians. The department is working to increase the percentage of pregnancies that result in healthy babies, decrease the rate of infant mortality, and decrease the pregnancy rate for females under age 18. Great strides have been made in reducing childhood mortality, but significant risks to child health remain, including poor nutrition, unsafe environments, and high-risk behaviors among adolescents. Many challenges still remain in a state where 15.3 percent of children lived in poverty in 2002. Lack of access to health care, including medical and dental care, means many children do not get the prevention, screening, and treatment services they need in a timely manner. A total of 6,057 babies, just over 8 percent of total births, were born with low birth weight in 2002, placing them at risk for early health problems and premature deaths. One harmful behavior contributing to these problems is the use of alcohol by a woman during her pregnancy. Early intervention programs can screen for women at-risk of having fetal alcohol affected (FAS) babies and provide education and intervention services. The Governor's Fiscal Year 2005 recommendations include:

- \$353,663 federal funds for the Missouri Fetal Alcohol Syndrome, Rural Awareness and Prevention Project grant awarded by the Centers for Disease Control. This will target 71 counties in Missouri where increased screening, education, and intervention will help reduce the number of babies born with fetal alcohol syndrome.

Some performance measures the Department of Health and Senior Services uses to evaluate its goal of protecting the health of Missouri's children follow:

	2000	2001	2002
Percentage of births resulting in healthy birth weight babies	90.3%	90.5%	90.5%
Infant mortality rate per 1,000 births	7.2	7.2	7.4
Pregnancy rate per 1,000 females, ages 15-17	34.4	32.5	29.2
Percentage of pregnant women who received adequate prenatal care	89.6%	89.2%	89.0%
Percentage of childcare providers found in compliance with health and safety standards on first inspection	32.0%	28.0%	38.0%

### Prevent and Control Communicable and Chronic Diseases

Chronic diseases such as heart disease, cancer, stroke, obstructive lung diseases, and diabetes are the most prevalent, costly, and preventable of all health problems. In 2001, these five conditions were responsible for 68 percent of all deaths in Missouri, and each of these diseases has substantial human costs as well as economic costs that are estimated at \$123 billion during 2002 in Missouri. Chronic diseases share many of the same risk factors, including obesity, lack of exercise, inadequate diets, and tobacco usage. Despite the human and economic costs, 27.2 percent of adults and 30.3 percent of high school students in Missouri continue to smoke and almost half of Missouri's adults and over 20 percent of our children are overweight. Approximately 30 percent of adults engage in no leisure time physical activity. Part of the state's current budget problem is a direct result of escalating health care costs due to unhealthy life styles. One way to bring these costs under control and increase the number of years of healthy living is to identify personal health risks, adopt healthy lifestyle habits, and use detection and treatment services effectively.

## DEPARTMENT OF HEALTH AND SENIOR SERVICES

### POLICY SUMMARY (Continued)

Communicable diseases continue to threaten public health and contribute significantly to the cost of health care even though many serious infectious diseases are largely or completely preventable. In Missouri, there are at least 8,918 people living with reported cases of HIV/AIDS. In 2002, there were 8,952 reported cases of gonorrhea and 16,181 cases of chlamydia. The Governor's Fiscal Year 2005 recommendations include:

- \$5 million for comprehensive health services for low-income individuals with unmet health needs such as screenings, education, and treatment for chronic and infectious diseases, obesity, and reproductive health services.
- \$2 million federal funds for HIV+/AIDS prevention, treatment, and assistance programs.
- \$430,554 federal funds for grant awards in the Division of Environmental Health and Communicable Disease Prevention.

Some performance measures the Department of Health and Senior Services uses to evaluate its goal of preventing or controlling communicable and chronic diseases follow:

	2000	2001	2002
Percentage of two-year-old children immunized	76%	79%	77.3%
Incidence of chlamydia infections per 100,000 population	240.4	250.0	289.2
Rate of gonorrhea per 100,000 population	158.8	160.0	160.0
Rate of AIDS per 100,000 population	7.5	6.8	6.4
Incidence rate of tuberculosis (TB) disease per 100,000 population	3.87	3.21	3.67
Percentage of people age 65 or older immunized for influenza	70%	67.5%	67.5%
Percentage of people age 65 or older immunized for pneumococcal disease	53%	56%	56%
Rate of heart disease per 100,000 population*	288.3	268.8	268.1
Rate of all cancer per 100,000 population*	205.6	205.5	203.3
Percentage of adults currently smoking	27.2%	25.9%	26.5%

\*Heart disease and cancer rates are adjusted for age using the United States 2000 standard million population.

### Improved Efficiency

Missouri has always been a low tax state and, therefore, has provided only essential services at a very low cost. The state's already low tax level combined with two consecutive years of declining revenues have led to significant reductions in many programs. However, under Governor Holden's leadership, state agencies have minimized the negative impact on services by dramatically reducing administrative costs and by developing ways to provide remaining services in the most efficient way possible.

Some of the efficiencies undertaken by the department include:

- Eliminating a level of management in all regional offices.
- Reducing out-of-state travel by 54 percent.
- Restricting and/or requiring pre-approval of expense and equipment expenditures.
- Using videoconferencing in lieu of meetings to reduce travel, lodging, and meal expenses.
- Making more data available on the department's web page resulting in a reduction in printing and mailing costs.
- Computerizing as many functions as possible so fewer staff can complete more work assignments.
- Reducing the number of divisions from seven to four through consolidations.

In addition to cost cutting measures already implemented, the Department of Health and Senior Services plans to review the department's programs and services for privatization or outsourcing opportunities. This process involves identifying the basic functions that should be carried out by the department either through a state or federal mandate, evaluating the cost effectiveness of possible alternatives, and developing contracts that assure quality and cost effectiveness, ongoing evaluation, and accountability.

## DEPARTMENT OF HEALTH AND SENIOR SERVICES

### POLICY SUMMARY (Continued)

#### Cuts Already Made

The Department of Health and Senior Services has worked to minimize the impact of recent funding reductions on department services. From Fiscal Years 2002 through 2004, the department's general revenue has been reduced by \$28.6 million and 189.29 staff, including:

- \$2.3 million and 45 staff from the Office of Director and Division of Administration. This loss of staff occurred even as additional requests for information are received, new measures have been implemented with regard to safety issues, and increased education efforts have been needed on such issues as anthrax and emerging infectious diseases.
- \$3.1 million and 22 staff from the Division of Environmental Health and Communicable Disease Prevention. These reductions occurred while new and increased demands continue to develop such as West Nile disease and Severe Acute Respiratory Syndrome (SARS), anthrax investigations, and soil, water, and air contamination.
- \$2.9 million and almost 44 staff have been reduced for services to pregnant women and children. While some program components such as service coordination and case management have been outsourced, there are still many Missourians who are eligible for services but continue to have unmet needs.
- \$3.6 million for women's primary health care services was eliminated by the General Assembly in Fiscal Year 2004. This program served over 30,000 low-income women throughout the state. For most of these women, the services provided were the only health care they received during the year. Consequences of not funding this program include undiagnosed venereal diseases and cancer, inadequate prenatal care, a quick succession of births that compromise the woman's health, low birth weight babies with complex short-term and long-term health problems, and higher infant mortality. In Fiscal Year 2005, the Governor recommends \$5 million to provide a comprehensive health services program that includes reproductive health services.

## **DEPARTMENT OF HEALTH AND SENIOR SERVICES**

### **HEALTH ADMINISTRATION**

The department's centralized administration is responsible for cost-effective implementation of Missouri's public health and senior services programs and provides administrative support to all department divisions. Responsibilities and services include budgeting, legislative review, accounting, expenditure control, purchasing, contract and grant administration, internal auditing, general office support, legal services, personnel management and training, minority health care issues, and epidemiological consultation.

#### **Fiscal Year 2005 Governor's Recommendations**

- \$2,420,000 federal funds so the receipt of grant awards and distributions can be accommodated during the year.
- \$260,635 other funds and 0.50 staff to assess other divisions for administrative costs.
- \$113,084 other funds and 3.25 staff to fund the Board of Nursing Home Administrators through fee assessments.
- \$162,682 for pay plan, including \$52,818 general revenue.
- \$168,796 and six staff reallocated from the Division of Senior Services and Regulation to centralize department payment processing and training staff, including \$74,249 general revenue.
- (\$1,453,779) federal funds reallocated from the Preventive Health Services Block Grant to align appropriations in the three divisions that expend these funds.
- (\$283,710) and (10.26) staff reallocated to the Division of Senior Services and Regulation for the Abuse and Neglect Hotline and Registry.
- (\$75,429) and (3.00) staff in core reduction from the Fiscal Year 2004 appropriation level, including (\$58,709) general revenue.
- (\$37,800) reallocated to the State Public Health Laboratory and the Center for Emergency Response and Terrorism to align appropriations with expenditures, including (\$23,491) general revenue.

### **STATE PUBLIC HEALTH LABORATORY**

The State Public Health Laboratory performs analysis of samples from newborns for metabolic conditions; conducts tests of human samples for suspected disease agents; and performs tests for tuberculosis, HIV, sexually transmitted diseases, rabies, immunizable diseases, and other diseases. The laboratory also conducts tests of public and private water supplies, performs screenings for childhood lead poisoning, and examines milk and food suspected of causing disease outbreaks. Each year, more than one-half million specimens are submitted to the laboratory for testing and examination.

#### **Fiscal Year 2005 Governor's Recommendations**

- \$27,000 reallocated from the Office of Director to align appropriations with expenditures, including \$23,491 general revenue.
- \$72,985 for pay plan, including \$38,315 general revenue.
- (\$258,162) and (six) staff in core reduction from the Fiscal Year 2004 appropriation level, including (\$255,882) general revenue.

### **CENTER FOR HEALTH INFORMATION MANAGEMENT AND EVALUATION**

The Center for Health Information Management and Evaluation is responsible for collecting, analyzing, and distributing data that identify the current health status, existing and emerging health problems, and the unmet health needs of Missourians. The center collects and reports on births and deaths, disease and injury incidence, and hospital and nursing home information. It issues copies of birth and death certificates and provides support for the department's statewide data network and computer database applications.

#### **Fiscal Year 2005 Governor's Recommendations**

- \$94,200 other funds and two staff to support the collection, analysis, and distribution of health data.
- \$111,237 for pay plan, including \$34,691 general revenue.
- (\$319,896) and (9.99) staff in core reduction from the Fiscal Year 2004 appropriation level, including (\$159,225) general revenue.

## **DEPARTMENT OF HEALTH AND SENIOR SERVICES**

### **CENTER FOR LOCAL PUBLIC HEALTH SERVICES**

The Center for Local Public Health Services coordinates the department's partnership with 115 local county public health agencies to improve the health of all Missourians. The center is active in building the capacity to carry out key public health roles and activities at the local level. Some of these activities include inspecting restaurants, monitoring and investigating communicable diseases and environmental health threats, and promoting community health awareness.

#### **Fiscal Year 2005 Governor's Recommendations**

- \$2,112 reallocated from the Division of Community Health Services to align appropriations with expenditures.
- \$10,750 for pay plan, including \$7,151 general revenue.
- (\$106) core reduction from the Fiscal Year 2004 appropriation level.

### **CENTER FOR EMERGENCY RESPONSE AND TERRORISM**

The Center for Emergency Response and Terrorism is responsible for coordinating regional and state planning for public health emergencies and natural disasters, including biological, chemical, and nuclear terrorism. Through partnerships with hospitals and other health care organizations, local entities such as government and law enforcement agencies, and other partners, the center works to assure that systems are in place to protect the health of Missourians during a public health emergency.

#### **Fiscal Year 2005 Governor's Recommendations**

- \$613,326 federal funds and 30.40 staff to improve the Public State Health Laboratory's capabilities.
- \$65,881 federal funds for pay plan.
- \$10,800 federal funds reallocated from the Office of Director to align appropriations with expenditures.

### **DIVISION OF ENVIRONMENTAL HEALTH AND COMMUNICABLE DISEASE PREVENTION**

The Division of Environmental Health and Communicable Disease Prevention provides services that focus on disease prevention and control. The division performs surveillance and epidemiological services for a wide range of communicable and zoonotic diseases and environmental induced conditions. It provides diagnosis and treatment of tuberculosis, HIV/AIDS, and sexually transmitted diseases; monitors emerging infectious diseases such as SARS, monkey pox, and West Nile virus; and administers the immunization program. The division also prevents and controls diseases due to environmental factors through enforcement of community sanitation standards, control of hazardous substances, and assessment of environmental health risks.

#### **Fiscal Year 2005 Governor's Recommendations**

- \$2,000,000 federal funds to reduce the incidence of venereal diseases and improve and expand treatments for persons with HIV/AIDS.
- \$430,554 federal funds and nine staff for the immunization program, including improving and maintaining the registry and vaccine inventory, and to coordinate and provide services for persons with HIV/AIDS.
- \$199,698 other funds and 5.40 staff to fund regulatory programs through fee assessments.
- \$74,765 other funds and 1.50 staff to meet the demand for more lead abatement project inspections in the lead licensing program.
- \$149,964 for pay plan, including \$56,564 general revenue.
- \$305,142 federal and other funds and 7.50 staff reallocated from the Division of Senior Services and Regulation for the lead licensing program.
- \$87,826 federal funds reallocated from the Preventive Health Block Grant to align the appropriation with expenditures.
- (\$229,209) core reduction from the Fiscal Year 2004 appropriation level, including (\$9,159) general revenue.



## **DEPARTMENT OF HEALTH AND SENIOR SERVICES**

### **DIVISION OF COMMUNITY HEALTH**

The Division of Community Health administers programs for maternal, child and family health, nutritional health, chronic disease prevention and health promotion, and community health improvement. The division works with communities, schools, organizations, and the health care delivery system to ensure that a variety of services are available to vulnerable populations. Some of these programs include maternal and child health services such as prenatal care and well baby clinics, as well as nutrition programs for women, infants and children, such as WIC. The division also focuses on prevention and reduction of illness, disability, premature deaths, and associated costs related to chronic diseases and informs the public about the need for organ donations that far exceed the available organs. Other services include sexual assault prevention, school-aged children's health, services for children with special health care needs and persons with head injuries and genetic disorders. To encourage nurses, doctors, and dentists to locate in medically underserved areas of the state, the division provides loans for health care professionals, rural health, oral health care, and community health initiatives.

#### **Fiscal Year 2005 Governor's Recommendations**

- \$4,988,565 and four staff to provide comprehensive health services for meeting the unmet health needs of low-income families.
- \$353,663 federal funds and 3.55 staff for the Fetal Alcohol Syndrome Grant awarded to the state by the Centers for Disease Control.
- \$146,000 other funds to fund training and education programs through fee assessments.
- \$50,000 other funds to expand the number of grants available for nursing students.
- \$244,128 for pay plan, including \$54,440 general revenue.
- \$1,300,835 federal funds reallocated from the Preventive Health Block Grant to align the appropriation with expenditures.
- (\$731,737) and (four) staff in core reduction from the Fiscal Year 2004 appropriation level, including (\$660,766) general revenue.
- (\$200,000) transferred to the Department of Social Services for maternal and child services.
- (\$2,112) reallocated to the Center for Local Public Health Services to align appropriations with expenditures.

### **DIVISION OF SENIOR SERVICES AND REGULATION**

The Division of Senior Services and Regulation is responsible for assuring that a comprehensive, effective, and coordinated service delivery system is available for elderly and disabled Missourians whether the services are provided by department personnel or contracted services providers. Some of the services available include case management, counseling, information and referral, congregate and home-delivered meals, transportation, and abuse prevention/protection services, all of which help thousands of elderly and disabled residents live dignified, independent lives in their own homes and communities. The division also is responsible for assuring that the care and services provided by hospitals, long-term care facilities, ambulatory surgical centers, home health agencies, hospices, childcare providers, ambulances, paramedics, handlers of controlled substances, and a variety of Medicare-certified health programs meet state and/or Medicare standards. In addition to routine compliance surveys, the division also investigates complaints concerning these entities.

#### **Fiscal Year 2005 Governor's Recommendations**

- \$430,945 other funds and ten staff to fund regulatory programs through fee assessments.
- \$25,000 for the Silver-Haired Legislature program.
- \$918,718 for pay plan, including \$421,066 general revenue.
- \$283,710 and 10.26 staff reallocated from the Office of Director for the Central Registry Unit.
- \$65,118 federal funds reallocated from the Preventive Health Block Grant to align the appropriation with expenditures.
- (\$4,276,919) and (10.51) staff in core reduction from the Fiscal Year 2004 appropriation level, including (\$201,364) general revenue.
- (\$586,464) transferred to the Department of Social Services for in-home nurse visits.
- (\$305,142) federal and other funds and (7.50) staff reallocated to the Division of Environmental Health and Communicable Disease Prevention for the lead licensing program.
- (\$200,000) transferred to the Department of Insurance for the Community Leaders Assisting the Insured of Missouri (CLAIM) program.
- (\$168,796) and (six) staff reallocated to health administration to consolidate reimbursement and training activities, including (\$74,249) general revenue.
- (\$130,000) other funds core reduction for a diet pill education program that has not received any donations to operate since it was created in the Fiscal Year 2001 budget.

## **DEPARTMENT OF HEALTH AND SENIOR SERVICES**

### **MISSOURI SENIOR Rx PROGRAM**

In response to the increasing cost of medications and the increasing burden Missouri's seniors face paying for necessary medications, the Governor proposed, and the General Assembly approved, the Missouri Senior Rx Program in the Special Session of 2001. The program serves eligible seniors and pays 60 percent of the cost of approved drugs after the enrollees meet specified deductibles. The program will serve 18,850 members in Fiscal Year 2004 and expects to increase the number of participants to 25,000 in the next fiscal year. The typical member saves about \$800 per year in out-of-pocket prescription drug costs.

#### **Fiscal Year 2005 Governor's Recommendations**

\$7,463,746 for the Missouri Senior Rx Program.

### **MISSOURI HEALTH FACILITIES REVIEW COMMITTEE**

The Missouri Health Facilities Review Committee implements the Certificate of Need Program in Missouri. The purpose of the Certificate of Need Program is health care cost containment through the prevention of unnecessary duplication of health care services. The staff assists the review committee in the review of proposals to develop or offer new institutional health services and issues certificates for those services determined to be needed.

#### **Fiscal Year 2005 Governor's Recommendations**

- \$2,495 for pay plan.
- (\$41,655) and (one) staff in core reduction from the Fiscal Year 2004 appropriation level.

# DEPARTMENT OF HIGHER EDUCATION

## FINANCIAL SUMMARY

	FY 2003 EXPENDITURE	FY 2004 APPROPRIATION	FY 2005 REQUEST	GOVERNOR RECOMMENDS FY 2005
Higher Education Coordination	\$ 744,822	\$ 789,095	\$ 789,095	\$ 801,508
Proprietary School Regulation	165,460	255,622	255,622	258,042
Midwest Higher Education Commission	82,500	82,500	82,500	82,500
Missouri Learners' Network	0	410,800	0	0
State Anatomical Board	2,543	3,069	3,069	3,069
Federal Education Programs	1,248,726	3,775,225	3,775,225	3,776,362
Grants and Scholarships	36,618,965	36,968,837	36,585,667	36,588,800
GEAR UP Program	900,704	1,704,612	1,664,612	1,668,863
Missouri Student Loan Program	90,374,911	103,492,161	102,115,415	102,163,836
Community Colleges	128,180,119	130,021,553	130,021,553	137,001,205
Technical Colleges	4,390,886	4,433,887	4,433,887	4,689,475
Four-Year Colleges and Universities	683,306,947	697,250,724	697,250,724	731,479,529
University of Missouri - Related Programs	39,992,472	48,497,688	48,497,688	48,497,688
<b>DEPARTMENTAL TOTAL</b>	<b>\$ 986,009,055</b>	<b>\$ 1,027,685,773 *</b>	<b>\$ 1,025,475,057</b>	<b>\$ 1,067,010,877</b>
General Revenue Fund	819,136,439	839,518,558	839,135,388	880,617,399
Federal Funds	3,450,213	6,690,637	6,239,837	6,245,225
Missouri Student Grant Program Gift Fund	50,000	50,000	50,000	50,000
Lottery Proceeds Fund	72,162,634	75,509,417	75,509,417	75,509,417
Spinal Cord Injury Fund	1,014	375,000	375,000	375,000
State Seminary Moneys Fund	209,267	250,000	250,000	250,000
GEAR UP Scholarship Fund	22,514	200,000	200,000	200,000
Proprietary School Bond Fund	0	100,000	100,000	100,000
U.S. Department of Education Recall Account Fund	32,421,669	0	0	0
U.S. Department of Education Interest Account Fund	796,804	2,700,420	2,000,420	2,002,178
State Seminary Fund	602,063	1,500,000	1,500,000	1,500,000
Guaranty Agency Operating Fund	14,493,207	15,791,741	15,114,995	15,161,658
Federal Student Loan Reserve Fund	42,663,231	85,000,000	85,000,000	85,000,000
<b>Full-time equivalent employees</b>	<b>77.74</b>	<b>94.73</b>	<b>89.73</b>	<b>89.73</b>

\* Does not include \$545,830 recommended in the Fiscal Year 2004 Supplemental Appropriations, including \$45,830 general revenue. See the Supplemental section of the Missouri Budget for details regarding the Department of Higher Education supplemental appropriations.

## POLICY SUMMARY

Governor Holden's budget for Fiscal Year 2005 provides a total of \$1.1 billion for the Department of Higher Education. The Department provides services for Missourians pursuing a postsecondary education. The core functions provided by the Department of Higher Education include:

- Supporting Missouri's two- and four-year institutions of higher education. Missouri's higher education institutions play a critical role in supplying the skilled workers that are necessary to stimulate economic growth in the state.
- Providing financial assistance to allow needy students access to higher education and to encourage Missouri's top academic achievers to attend Missouri higher education institutions.
- Planning for postsecondary education, evaluating institutional missions and performance, regulating proprietary institutions, and approving new degree programs offered by public colleges and universities.

## DEPARTMENT OF HIGHER EDUCATION

### POLICY SUMMARY (Continued)

#### Supporting Missouri's Higher Education Institutions

The Governor understands that economic growth in the 21st century is based on knowledge, innovation, and the use of technology. Missouri's higher education system plays a critical role in ensuring Missouri stays at the forefront of these cutting edge advances and in supplying skilled workers that are necessary to stimulate continued economic growth in the state. An educated workforce is the State of Missouri's most important economic development tool.

The General Assembly, however, made drastic cuts to funding for higher education in the Fiscal Year 2004 budget. The Governor believes cutting education will only hurt the state's economic future, and his Fiscal Year 2005 budget restores the money the General Assembly cut as follows:

- \$34,228,805 for Missouri's four-year colleges and universities, increasing total funding to \$731.5 million.
- \$6,979,652 for Missouri's community colleges, increasing total funding to \$137.0 million.
- \$255,588 for Linn State Technical College, increasing total funding to \$4.7 million.

#### Assisting Students

**Jobs Now** – The Governor's Jobs Now proposal will encourage Missouri's higher education students to pursue fields of study that will lead to employment in high-demand occupational fields with Missouri companies. For over twenty years, the Missouri Higher Education Loan Authority (MOHELA) has offered Missouri students and parents the lowest interest rates for student loans in the nation. Through a cooperative effort between MOHELA, the Department of Higher Education, and the Department of Economic Development, excess yields in MOHELA's revenue bonds will be set aside for this initiative. A total of \$3 million annually will be made available in student loans and loan forgiveness (\$18 million over the next 6 years) to address Missouri's immediate and future workforce needs.

**Vietnam Veterans Survivors Scholarship Program** – The Vietnam Veterans Survivors Scholarship Program provides higher education scholarships to the children and spouses of veterans of the Vietnam War whose death was caused by exposure to toxic chemicals. Governor Holden recommends an additional \$23,370 to ensure that all qualified applicants will receive scholarships.

**Public Service Survivor Grant Program** – The Public Service Survivor Grant Program provides grants for higher education expenses to the children and spouses of public employees killed or permanently and totally disabled in the line of duty. Governor Holden recommends an additional \$22,460 to ensure that all qualified applicants will receive grants.

#### Improved Efficiency

Missouri has always been a low tax state and has, therefore, provided only essential services at a very low cost. The state's already low tax level combined with two consecutive years of declining revenue have led to significant reductions in many programs. However, under Governor Holden's leadership, state agencies have minimized the negative impact on services by dramatically reducing administrative costs and by developing ways to provide remaining services in the most efficient manner possible.

The Department of Higher Education and the higher education institutions have aggressively improved the services they provide and reduced administrative costs by:

- Consolidating and eliminating administrative positions at the two- and four-year higher education institutions. For example, the consolidation of positions in Administrative Services and the Provost's Office at the University of Missouri – Columbia has resulted in an annual savings of \$685,000, including the elimination of four senior administrative positions. Linn State Technical College was able to eliminate two Vice Presidents by shifting duties to other staff for an annual savings of \$160,000. The reorganization and consolidation of information technology services staff at the University of Missouri – Rolla will result in an annual savings of \$125,000.
- Utilizing the latest technology to reduce costs and improve customer service. For example, Truman State University has invested in new software designed to replace several in-house systems. This automation upgrade is expected to save \$36,700 annually by reducing paper billing and registration and allowing for self-service transactions for students, faculty, and staff. Central Missouri State University has implemented automatic deposit, electronic reimbursement, and on-line payment systems that will result in annual savings of \$114,400.
- Negotiating a contract for a new, less expensive loan service provider for the Department of Higher Education at an estimated savings of \$16 million over the life of the contract.
- Consolidating administrative functions throughout the Department of Higher Education, resulting in the elimination of five staff.

## **DEPARTMENT OF HIGHER EDUCATION**

### **POLICY SUMMARY (Continued)**

In addition to cost-cutting measures already implemented by the Department of Higher Education and the higher education institutions, the following efficiency measures are planned:

- The University of Missouri is conducting program viability audits of 48 departments and degree programs to determine whether these programs should be enhanced, modified, or closed. The programs will be evaluated on such criteria as cost, student demand, and relationship to the university's mission.
- The Department of Higher Education will implement a comprehensive web-based financial assistance system in Fiscal Year 2005 that will integrate multiple state student financial assistance program databases and interface with high schools, colleges, universities, and students, providing the ability to access or update student information.

#### **Cuts Already Made**

The Department of Higher Education and the higher education institutions have worked to minimize the impact of reduced funding on services. However, funding for higher education has been cut significantly in recent years. For example, the Fiscal Year 2004 reduction of \$39.7 million in state aid to the higher education institutions has resulted in tuition costs at Missouri's public four-year colleges and universities rising by an average of 14.8 percent in the last year, while tuition costs at Missouri's community colleges have risen by an average of 9.3 percent over the same period. In addition to increasing tuition, institutions have been forced to eliminate programs and cut faculty and staff in order to deal with the funding reductions. The tuition increases have placed an enormous financial burden on Missouri students and their families and have forced an increasing number of students to take on unacceptably high levels of debt in order to pursue a college education.

In addition, Missouri's grant and scholarship programs were reduced by \$589,550 in Fiscal Year 2004, resulting in many students not receiving grants and scholarships. Reduced financial aid on top of crippling increases in tuition is causing some families with lower and middle incomes to no longer be able to afford the cost of college.

## DEPARTMENT OF HIGHER EDUCATION

### POLICY SUMMARY (Continued)

#### Lottery Proceeds For Education

During Fiscal Year 2005, \$206.7 million will be available from lottery revenues for education. Of this amount, \$205.6 million is from anticipated Fiscal Year 2005 revenues. The remaining \$1.1 million is from revenues generated but not expended during prior fiscal years. The Governor recommends allocating estimated lottery revenues as follows:

<b><u>ELEMENTARY AND SECONDARY EDUCATION</u></b>	
• Character Education	\$ 250,000
• A+ Schools	12,563,100
• Safe Schools/Alternative Schools	4,122,368
• Advanced Placement/Dual Credit	711,786
• Transportation	78,371,749
• Early Childhood Special Education	6,460,897
* Early Childhood Special Education	10,087,610
• Special Education	3,762,000
• Gifted	198,351
• DSS/DMH Public Placements	7,768,606
• Research Contract	110,880
• Early Grade Literacy	145,000
• State Schools Operating Maintenance and Repair	342,754
• Vocational Rehabilitation	1,400,000
• Minority Scholarships	200,000
• Scholars Academy	158,156
• Test Development	<u>4,568,630</u>
SUBTOTAL	\$ 131,221,887
 <b><u>HIGHER EDUCATION</u></b>	
• Four-Year Institutions Operations	\$ 46,969,759
• Four-Year Institutions Operating Maintenance and Repair	18,893,066
• Community Colleges Operations	4,833,814
• Community Colleges Operating Maintenance and Repair	2,062,778
• Missouri College Guarantee Program	<u>2,750,000</u>
SUBTOTAL	\$ 75,509,417
 <b>TOTAL</b>	 <b><u>\$ 206,731,304</u></b>
 *Increased funding	

# DEPARTMENT OF HIGHER EDUCATION

## POLICY SUMMARY (Continued)

### PERFORMANCE MEASURES

**Table 1: Performance measures the Department of Higher Education uses to evaluate the outcomes of higher education**

	2000	2001	2002
Number of graduates of Missouri public institutions entering Missouri's workforce			
Associate degree graduates	6,593	6,908	6,695
Average salary	\$20,551	\$20,655	\$20,243
Percent employed in Missouri	74%	74%	74%
Bachelor degree graduates	15,375	15,349	16,184
Average salary	\$26,607	\$25,977	\$24,746
Percent employed in Missouri	62%	63%	63%
Masters degree graduates	4,055	4,267	4,304
Average salary	\$39,185	\$39,290	\$38,803
Percent employed in Missouri	61%	61%	60%
Doctoral degree graduates	400	423	397
Average salary	\$44,257	\$44,935	\$50,655
Percent employed in Missouri	32%	38%	34%

**Table 2: Performance measures the Department of Higher Education uses to evaluate the impact of higher education**

	2001	2002	2003
Number of graduates of the higher education system	53,994	56,628	60,134
Percentage of total degrees conferred upon minorities	15.1%	15.7%	16.2%

**Table 3: Performance measures the Department of Higher Education uses to evaluate access to higher education**

	2001	2002	2003
Number of students applying for student financial assistance	110,000	164,000	165,000
Number of students receiving state student financial assistance	26,714	27,459	25,727
Dollar amount awarded in state student financial assistance	\$43,926,860	\$44,818,781	\$41,713,900
Average cost of in-state tuition at Missouri's four-year institutions	\$3,690	\$3,908	\$4,546
Average cost of in-district tuition at Missouri's two-year institutions	\$1,462	\$1,520	\$1,838

**Table 4: Performance measures the Department of Higher Education uses to evaluate the performance of public community colleges**

	2000	2001	2002
<u>Student Advancement</u>			
First year success (24 credit hours and 2.0 GPA by end of spring semester) of first-time, full-time degree seeking freshmen	39%	39%	40%
Number of graduates with certificates of one year or more or associate degrees	7,427	7,750	8,365
Percentage of baccalaureate graduates that successfully transferred from a community college with 12 or more credit hours	17.6%	18.6%	21.0%

# DEPARTMENT OF HIGHER EDUCATION

## POLICY SUMMARY (Continued)

**Table 5: Performance measures the Department of Higher Education uses to evaluate the performance of four-year public colleges and universities**

	2000	2001	2002
<u>Student Advancement</u>			
First year success (24 credit hours and 2.0 GPA by spring of first year) of first-time, full-time degree seeking freshmen	72%	72%	71%
Six-year graduation rates for first-time, full-time degree seeking freshmen	52.1%	55.6%	56.4%
<u>Quality of Baccalaureate Program Graduates</u>			
Percentage who scored at or above the 50 <sup>th</sup> percentile on a nationally normed test in general education	63.2%	62.4%	61.2%
Percentage who took a nationally normed test in their major and scored at or above the 50 <sup>th</sup> percentile	58.6%	58.8%	57.2%
Percentage who passed a licensure, certification, or a registration exam	83.0%	83.0%	79.6%
<u>Quality of Prospective Teachers</u>			
Percentage who met teacher program entry standards	70%	75%	78%
Percentage who met teacher program exit standards	60%	60%	56%



## **DEPARTMENT OF HIGHER EDUCATION**

### **HIGHER EDUCATION COORDINATION**

This program includes the Commissioner of Higher Education, the general administrative staff, and the expenses of the Coordinating Board. Under direction of the Coordinating Board, the administrative staff review and coordinate the programs of approximately 58 public and private institutions of higher education. Staff also prepare the Coordinating Board's budget recommendations for public colleges and universities. Other program responsibilities include collecting and distributing student enrollment data and reviewing and approving proposed new degree programs at public institutions.

#### **Fiscal Year 2005 Governor's Recommendations**

- \$12,903 for pay plan.
- (\$490) core reduction from the Fiscal Year 2004 appropriation level.

### **PROPRIETARY SCHOOL REGULATION**

Sections 173.600 through 173.618, RSMo, provide for the regulation of proprietary schools operating in the State of Missouri. The Coordinating Board is charged with the authority to issue, revoke, or suspend certificates of approval ensuring that proprietary schools meet minimum state standards, place schools on probation, require each school to file a security bond, and collect data from certified proprietary schools.

#### **Fiscal Year 2005 Governor's Recommendations**

- \$2,420 for pay plan.

### **MIDWEST HIGHER EDUCATION COMMISSION**

The Midwest Higher Education Commission is a consortium of states that work together on student exchange agreements, higher education research and policy development, and cost saving programs in which Missouri institutions may participate. Membership in the organization requires payment of annual dues. Missouri became a member state of the Midwest Higher Education Commission pursuant to the legislative provisions of Sections 173.708 through 173.710, RSMo.

#### **Fiscal Year 2005 Governor's Recommendations**

Continue funding at the current level.

### **MISSOURI LEARNERS' NETWORK**

The Missouri Learners' Network is a voluntary, collaborative project among Missouri postsecondary institutions designed to provide a single web access point to distance learning opportunities in Missouri. The Missouri Learners' Network web site features an electronic catalog of postsecondary, off-campus, credit courses and programs offered by all of Missouri's public two- and four-year colleges and universities, most of the state's independent institutions, and several proprietary and career schools.

#### **Fiscal Year 2005 Governor's Recommendations**

- (\$410,800) federal funds core reduction from the Fiscal Year 2004 appropriation level.

### **STATE ANATOMICAL BOARD**

Sections 194.120 through 194.180, RSMo, authorize the State Anatomical Board to collect and distribute human cadavers to qualified medical schools. Expenditures consist of fixed stipends for officers of the board and per capita stipends for doctors with the responsibility for receipt and distribution of cadavers. Participating schools pay a per-student assessment of 50 cents which is deposited in general revenue.

#### **Fiscal Year 2005 Governor's Recommendations**

Continue funding at the current level.

## **DEPARTMENT OF HIGHER EDUCATION**

### **FEDERAL EDUCATION PROGRAMS AND DONATIONS**

The Improving Teacher Quality States Grant Program provides federal funds for the improvement of instruction in the core subject areas in grades K-12. The Department of Higher Education administers its portion of these funds through a competitive grant process. The funds are used to design and develop professional development projects addressing the needs of K-12 teachers in the targeted core academic subjects of mathematics and science.

In addition, department staff will continue to pursue federal grants, foundation resources, and private donations to support new programs.

### **Fiscal Year 2005 Governor's Recommendations**

- \$1,137 federal funds for pay plan.

**DEPARTMENT OF HIGHER EDUCATION  
STUDENT FINANCIAL AID**

**FINANCIAL SUMMARY**

	FY 2003 EXPENDITURE	FY 2004 APPROPRIATION	FY 2005 REQUEST	GOVERNOR RECOMMENDS FY 2005
<b>GRANTS AND SCHOLARSHIPS</b>				
Administration	\$ 253,192	\$ 275,951	\$ 275,951	\$ 279,084
Academic Scholarship Program	15,787,000	15,787,000	15,787,000	15,787,000
Charles E. Gallagher Grant Program	16,951,733	16,628,436	16,628,436	16,628,436
Public Service Survivor Grant Program	30,790	38,250	60,710	60,710
Vietnam Veterans Survivors Scholarship Program	11,250	10,200	33,570	33,570
Marguerite Ross Barnett Scholarship Program	425,000	425,000	425,000	425,000
Missouri College Guarantee Program	2,750,000	3,175,000	3,175,000	3,175,000
Advantage Missouri Program	410,000	629,000	200,000	200,000
GEAR UP PROGRAM	900,704	1,704,612	1,664,612	1,668,863
<b>MISSOURI STUDENT LOAN PROGRAM</b>				
Administration	10,333,549	13,006,761	12,183,607	12,225,680
U.S. Department of Education Recall Account	32,421,669	0	0	0
Federal Loan Compliance	3,940,926	5,000,000	4,500,000	4,500,000
E-Government	1,015,536	485,400	431,808	438,156
Federal Student Loan Reserve Fund	42,663,231	85,000,000	85,000,000	85,000,000
<b>DIVISIONAL TOTAL</b>	<b>\$ 127,894,580</b>	<b>\$ 142,165,610</b>	<b>\$ 140,365,694</b>	<b>\$ 140,421,499</b>
<b>PERSONAL SERVICE</b>				
General Revenue Fund	187,623	183,301	183,301	186,969
Federal Funds	214,986	252,560	212,560	216,811
Other Funds	1,941,436	2,597,855	2,421,109	2,469,530
<b>EXPENSE AND EQUIPMENT</b>				
General Revenue Fund	65,569	92,650	92,650	92,115
Federal Funds	140,636	554,480	554,480	554,480
Other Funds	12,885,058	14,004,306	13,304,306	13,304,306
<b>PROGRAM SPECIFIC DISTRIBUTION</b>				
General Revenue Fund	42,040	48,450	94,280	94,280
Federal Funds	522,568	697,572	697,572	697,572
Other Funds	75,570,931	87,090,000	86,590,000	86,590,000
<b>FUND TRANSFERS</b>				
General Revenue Fund	32,200,436	32,844,436	32,415,436	32,415,436
Federal Funds	1,323,297	1,000,000	1,000,000	1,000,000
Other Funds	2,800,000	2,800,000	2,800,000	2,800,000
<b>TOTAL</b>	<b>\$ 127,894,580</b>	<b>\$ 142,165,610</b>	<b>\$ 140,365,694</b>	<b>\$ 140,421,499</b>
General Revenue Fund	32,495,668	33,168,837	32,785,667	32,788,800
Federal Funds	2,201,487	2,504,612	2,464,612	2,468,863
Other Funds	93,197,425	106,492,161	105,115,415	105,163,836
<b>Full-time equivalent employees</b>				
	61.17	76.78	71.78	71.78

## **DEPARTMENT OF HIGHER EDUCATION**

### **STUDENT FINANCIAL AID (Continued)**

#### **ADMINISTRATION OF STATE GRANT AND SCHOLARSHIP PROGRAMS**

Administration of the state grant and scholarship programs includes determining an applicant's eligibility for a grant, determining the amount of individual grants, issuing payments, and monitoring school financial aid offices for compliance with program requirements. Approximately 25,700 grants and scholarships totaling nearly \$41.7 million annually are distributed by the department.

##### **Fiscal Year 2005 Governor's Recommendations**

- \$3,668 for pay plan.
- (\$535) core reduction from the Fiscal Year 2004 appropriation level.

#### **ACADEMIC SCHOLARSHIP PROGRAM**

The Academic Scholarship Program ("Bright Flight") provides \$2,000 scholarships for Missouri high school graduating seniors scoring in the top three percent of all Missouri students taking either the American College Test (ACT) or the Scholastic Aptitude Test (SAT) of the College Board. The students must use the scholarship to attend a Missouri college or university. The scholarships are renewable up to a total of ten semesters. An estimated 8,200 students will be awarded scholarships in Fiscal Year 2005.

##### **Fiscal Year 2005 Governor's Recommendations**

Continue funding at the current level.

#### **CHARLES E. GALLAGHER GRANT PROGRAM**

The Charles E. Gallagher Student Financial Assistance (Missouri Student Grant) Program provides non-repayable grants to eligible Missouri postsecondary students of up to a maximum of ten semesters based on the lesser of: (a) demonstrated financial need, (b) one-half the tuition and fees of the previous year, or (c) \$1,500.

##### **Fiscal Year 2005 Governor's Recommendations**

Continue funding at the current level.

#### **PUBLIC SERVICE SURVIVOR GRANT PROGRAM**

The Public Service Survivor Grant Program provides educational benefits to the children and spouses of certain public employees killed or permanently and totally disabled in the line of duty. An eligible child, up to the age of 24, or an eligible spouse may receive a grant to enroll in a program leading to a certificate, associate degree, or baccalaureate degree at an approved public or private postsecondary institution. The grant may not exceed the amount paid in tuition by a full-time undergraduate Missouri resident at the University of Missouri.

##### **Fiscal Year 2005 Governor's Recommendations**

- \$22,460 to ensure that all qualified applicants to the Public Service Survivor Grant Program will receive grants.

#### **VIETNAM VETERANS SURVIVORS SCHOLARSHIP PROGRAM**

The Vietnam Veterans Survivors Scholarship Program provides educational benefits to the spouse or child of a veteran of the Vietnam War whose death was caused by exposure to toxic chemicals. The maximum award may not exceed the amount of tuition paid by a full-time undergraduate Missouri resident at the University of Missouri.

##### **Fiscal Year 2005 Governor's Recommendations**

- \$23,370 to ensure that all qualified applicants to the Vietnam Veterans Survivors Scholarship Program will receive scholarships.

## **DEPARTMENT OF HIGHER EDUCATION**

### **STUDENT FINANCIAL AID (Continued)**

#### **MARGUERITE ROSS BARNETT SCHOLARSHIP PROGRAM**

The Marguerite Ross Barnett Scholarship Program provides grants to part-time undergraduate students who are employed and compensated for at least 20 hours per week and who have financial need. The maximum award may not exceed the amount of tuition paid by a part-time undergraduate Missouri resident at the University of Missouri.

#### **Fiscal Year 2005 Governor's Recommendations**

Continue funding at the current level.

#### **MISSOURI COLLEGE GUARANTEE PROGRAM**

The Missouri College Guarantee Program provides scholarships based on financial need to students that meet specified academic standards. The program is designed to serve Missouri students most in need regardless of institutional choice.

#### **Fiscal Year 2005 Governor's Recommendations**

Continue funding at the current level.

#### **ADVANTAGE MISSOURI PROGRAM**

The Advantage Missouri Program is a loan and loan forgiveness program designed to address workforce needs in high demand occupations. Students enrolling in an academic program in an occupational field of high demand may apply for a loan that will forgive one year of the loan for each year the student works in Missouri in that specified field. The current targeted occupational areas are biomedical/biotechnology, advanced manufacturing technology, and computer technology.

#### **Fiscal Year 2005 Governor's Recommendations**

- (\$429,000) core reduction to reflect the General Assembly's intent to phase-out this program.

#### **GEAR UP PROGRAM**

The Department of Higher Education has been awarded a federal GEAR UP grant that will help improve the educational attainment of Missouri citizens by providing early college preparation and awareness activities to participating students through comprehensive mentoring, counseling, outreach, and other support services. These activities promote equal access to educational excellence through partnership efforts on behalf of low-income, underrepresented students, and ensure that targeted students have access to rigorous courses that prepare them for college. Thirteen Missouri high schools in five public school districts with more than 3,000 students are participating in the GEAR UP Program. Participants of the program may be eligible for scholarships based on high school performance and financial need.

#### **Fiscal Year 2005 Governor's Recommendations**

- \$4,251 federal funds for pay plan.
- (\$40,000) federal funds and (one) staff in core reduction from the Fiscal Year 2004 appropriation level.

#### **MISSOURI STUDENT LOAN PROGRAM AND ADMINISTRATION**

The Missouri Student Loan Program provides repayable loans to parents and students through commercial lending institutions. Since its inception in 1979, the program has guaranteed approximately 1.8 million loans totaling nearly \$5.8 billion. In Fiscal Year 2005, approximately 100 lending institutions will participate in loaning funds to students attending more than 125 eligible institutions. Approximately 153,000 loans totaling over \$708 million annually are distributed by the department. The Missouri Student Loan Program uses outside contractors to process and service its loans. The loan program staff performs activities including outreach services to students, schools, and lenders; the administration of the Administrative Wage Garnishment and Automated Transfer of Money programs; general loan program administration; and functions necessary to oversee contractor services and ensure compliance with state and federal law.

#### **Fiscal Year 2005 Governor's Recommendations**

- \$48,421 other funds for pay plan.
- (\$1,376,746) other funds and (four) staff in core reduction from the Fiscal Year 2004 appropriation level.

## DEPARTMENT OF HIGHER EDUCATION

### AID TO PUBLIC COMMUNITY COLLEGES

The budget recommendations for Missouri public community colleges are based on the recommendations developed by the Coordinating Board. The 12 institutions (18 campuses) eligible to receive state aid are: Crowder College in Neosho, East Central College in Union, Jefferson College in Hillsboro, Metropolitan Community Colleges – five campuses in the Kansas City area, Mineral Area College in Park Hills, Moberly Area Community College in Moberly, North Central Missouri College in Trenton, Ozarks Technical Community College in Springfield, St. Charles Community College in St. Peters, St. Louis Community College – three campuses in St. Louis City and County, State Fair Community College in Sedalia, and Three Rivers Community College in Poplar Bluff. For Fiscal Year 2005, the Coordinating Board recommends funding of \$130,021,553 for community colleges.

### FINANCIAL SUMMARY

	FY 2003 EXPENDITURE	FY 2004 APPROPRIATION	FY 2005 REQUEST	GOVERNOR RECOMMENDS FY 2005
Aid to Community Colleges	\$ 87,911,529	\$ 92,991,056	\$ 92,991,056	\$ 95,487,195
Out-of-District Programs	1,248,884	1,148,458	1,148,458	1,287,509
Workforce Preparation	17,303,831	15,912,389	15,912,389	17,839,001
Postsecondary Technical Education Initiatives	21,715,875	19,969,650	19,969,650	22,387,500
TOTAL	\$ 128,180,119	\$ 130,021,553	\$ 130,021,553	\$ 137,001,205
General Revenue Fund	122,654,425	123,124,961	123,124,961	130,104,613
Lottery Proceeds Fund	5,525,694	6,896,592	6,896,592	6,896,592

### Fiscal Year 2005 Governor's Recommendations

- \$2,496,139 for state aid to community colleges.
- \$2,417,850 for postsecondary technical education initiatives approved by Regional Technical Education Councils.
- \$1,926,612 for workforce preparation projects.
- \$139,051 for out-of-district programs.

### LINN STATE TECHNICAL COLLEGE

Senate Bill 101 (1995) established Linn State Technical College with a statewide mission to offer highly specialized and advanced technical education and training at the certificate and associate degree level. For Fiscal Year 2005, the Coordinating Board recommends funding of \$4,433,887 for Linn State Technical College.

### Fiscal Year 2005 Governor's Recommendations

- \$255,588 for increased funding for Linn State Technical College.

## DEPARTMENT OF HIGHER EDUCATION

### PUBLIC FOUR-YEAR INSTITUTIONS OF HIGHER EDUCATION

The budget recommendations for Missouri's ten public, four-year institutions of higher education are based on the recommendations developed by the Coordinating Board. Missouri's public, four-year institutions of higher education include: Central Missouri State University at Warrensburg, Harris-Stowe State College at St. Louis, Lincoln University at Jefferson City, Missouri Southern State University - Joplin, Missouri Western State College at St. Joseph, Northwest Missouri State University at Maryville, Southeast Missouri State University at Cape Girardeau, Southwest Missouri State University at Springfield, Truman State University at Kirksville, and the University of Missouri. For Fiscal Year 2005, the Coordinating Board recommends funding of \$697,250,724 for four-year institutions.

### FINANCIAL SUMMARY

	FY 2003 EXPENDITURE	FY 2004 APPROPRIATION	FY 2005 REQUEST	GOVERNOR RECOMMENDS FY 2005
Central Missouri State University	\$ 52,057,676	\$ 52,567,478	\$ 52,567,478	\$ 55,597,699
Harris-Stowe State College	9,488,114	9,581,032	9,581,032	10,133,324
Lincoln University	16,196,698	16,360,445	16,360,445	17,298,105
Missouri Southern State University - Joplin	17,988,593	20,373,791	20,373,791	20,373,791
Missouri Western State College	18,460,744	20,084,703	20,084,703	20,084,703
Northwest Missouri State University	27,145,517	29,167,319	29,167,319	29,167,319
Southeast Missouri State University	42,390,847	42,805,983	42,805,983	45,273,509
Southwest Missouri State University	75,182,099	77,757,193	77,757,193	80,294,626
Truman State University	39,427,734	39,813,848	39,813,848	42,108,894
Subtotal	298,338,022	308,511,792	308,511,792	320,331,970
University of Missouri	384,968,925	388,738,932	388,738,932	411,147,559
TOTAL	\$ 683,306,947	\$ 697,250,724	\$ 697,250,724	\$ 731,479,529
General Revenue Fund	619,420,007	631,808,427	631,808,427	666,037,232
Lottery Proceeds Fund	63,886,940	65,442,297	65,442,297	65,442,297

### Fiscal Year 2005 Governor's Recommendations

- \$34,228,805 for increased funding at public four-year institutions:
  - \$3,030,221 for Central Missouri State University
  - \$552,292 for Harris-Stowe State College
  - \$937,660 for Lincoln University
  - \$2,467,526 for Southeast Missouri State University
  - \$2,537,433 for Southwest Missouri State University
  - \$2,295,046 for Truman State University
  - \$22,408,627 for the University of Missouri

**DEPARTMENT OF HIGHER EDUCATION  
UNIVERSITY OF MISSOURI – RELATED PROGRAMS**

**FINANCIAL SUMMARY**

	FY 2003 EXPENDITURE	FY 2004 APPROPRIATION	FY 2005 REQUEST	GOVERNOR RECOMMENDS FY 2005
MOBIUS	\$ 630,053	\$ 649,539	\$ 649,539	\$ 649,539
MOREnet	9,910,074	15,004,401	15,004,401	15,004,401
University Hospital and Clinics	8,344,246	8,911,671	13,135,457	13,135,457
Ellis Fischel Cancer Center	3,954,848	4,223,786	0	0
Missouri Rehabilitation Center	9,472,540	10,116,691	10,116,691	10,116,691
Missouri Institute of Mental Health	2,153,414	2,299,850	2,299,850	2,299,850
Missouri Kidney Program	3,761,018	4,016,774	4,016,774	4,016,774
State Historical Society	863,857	922,601	922,601	922,601
Alzheimer's Research Program	90,078	227,375	227,375	227,375
Spinal Cord Injury	1,014	375,000	375,000	375,000
State Seminary Investments	602,063	1,500,000	1,500,000	1,500,000
State Seminary Income on Investments	209,267	250,000	250,000	250,000
<b>TOTAL</b>	<b>\$ 39,992,472</b>	<b>\$ 48,497,688</b>	<b>\$ 48,497,688</b>	<b>\$ 48,497,688</b>
General Revenue Fund	39,180,128	46,372,688	46,372,688	46,372,688
Spinal Cord Injury Fund	1,014	375,000	375,000	375,000
State Seminary Fund	209,267	250,000	250,000	250,000
State Seminary Moneys Fund	602,063	1,500,000	1,500,000	1,500,000

**UNIVERSITY OF MISSOURI – RELATED PROGRAMS**

The University of Missouri has administrative responsibility for a range of programs that are related to its institutional mission, but are not a part of the education and general operations: Missouri Bibliographic Information User System (MOBIUS), Missouri Research and Education Network (MOREnet), University Hospital and Clinics, Ellis Fischel Cancer Center, Missouri Rehabilitation Center, Missouri Institute of Mental Health, Missouri Kidney Program, the State Historical Society, Alzheimer's Research Program, Spinal Cord Injury Research Program, and investments and interest from state seminary fund and state seminary moneys fund.

**MISSOURI BIBLIOGRAPHIC INFORMATION USER SYSTEM (MOBIUS)**

The Missouri Bibliographic Information User System, also known as MOBIUS, is a consortium of academic libraries with member colleges and universities in the state of Missouri. Fifty charter members began the project in January 1999. The largest single project for which MOBIUS is responsible is the Common Library Platform project. The Common Library Platform is a collaboration among state agencies and public and independent colleges and universities that allows academic libraries to share 18.2 million volumes, approximately \$1 billion worth of library books and materials, owned by Missouri's public and independent higher education institutions. The University of Missouri serves as the host site to administer and operate the shared system hardware and software.

**Fiscal Year 2005 Governor's Recommendations**

Continue funding at the current level.

**MISSOURI RESEARCH AND EDUCATION NETWORK (MOREnet)**

MOREnet operates a shared network infrastructure for elementary and secondary education, higher education, public libraries, and community information networks. This shared network infrastructure includes connections to the Internet and a statewide backbone with hubs to connect each site. MOREnet integrates voice, video, and data transmissions, as well as handles the ever-increasing demand for network capacity to conduct research.

**Fiscal Year 2005 Governor's Recommendations**

Continue funding at the current level.



## **DEPARTMENT OF HIGHER EDUCATION**

### **UNIVERSITY OF MISSOURI – RELATED PROGRAMS (Continued)**

#### **HOSPITAL AND CLINICS**

The University of Missouri-Columbia operates a teaching facility for medical, nursing, and other health care field students. In addition, the facility provides inpatient care, outpatient care, and specialized medical services to both area residents and persons referred from throughout the state. The hospital budget includes costs associated with providing patient care and maintenance of the facility. Instructional and research activity costs are included in the university's general operating budget.

#### **Fiscal Year 2005 Governor's Recommendations**

- \$4,223,786 reallocated from Ellis Fischel Cancer Center.

#### **ELLIS FISCHEL CANCER CENTER**

The Ellis Fischel Cancer Center provides comprehensive medical treatment, conducts clinical research, and offers education to both health professionals and Missourians at large.

#### **Fiscal Year 2005 Governor's Recommendations**

- (\$4,223,786) reallocated to Hospital and Clinics.

#### **MISSOURI REHABILITATION CENTER**

The Missouri Rehabilitation Center provides medical treatment for traumatic brain injury, comprehensive rehabilitation services, pulmonary/ventilator rehabilitation, tuberculosis treatment, terminal and acute care, and outpatient services.

#### **Fiscal Year 2005 Governor's Recommendations**

Continue funding at the current level.

#### **MISSOURI INSTITUTE OF MENTAL HEALTH**

The Missouri Institute of Mental Health, operated by the School of Medicine of the University of Missouri at Columbia, is a mental health research and teaching institute that provides educational and staff support to the Department of Mental Health. The institute researches the basic causes of mental illness and methods for improved patient care and operates training programs for mental health professionals.

#### **Fiscal Year 2005 Governor's Recommendations**

Continue funding at the current level.

#### **MISSOURI KIDNEY PROGRAM**

The Missouri Kidney Program enables Missourians with end-stage renal disease to obtain treatment. The program contracts with federally approved dialysis centers and facilities and pays those costs of dialysis or kidney transplantation not paid by other sources such as Medicare, Medicaid, and private insurance. Patients' drugs, transportation expenses, and medical bills are paid by the program, along with the needed medical equipment and supply costs.

#### **Fiscal Year 2005 Governor's Recommendations**

Continue funding at the current level.

#### **STATE HISTORICAL SOCIETY**

The State Historical Society of Missouri is directed by statute to collect, preserve, publish, and make accessible those materials that pertain to the history of Missouri and western America. The staff conducts research projects, publishes the quarterly Missouri Historical Review, and produces other publications.

#### **Fiscal Year 2005 Governor's Recommendations**

Continue funding at the current level.

## **DEPARTMENT OF HIGHER EDUCATION**

### **UNIVERSITY OF MISSOURI – RELATED PROGRAMS (Continued)**

#### **ALZHEIMER'S RESEARCH PROGRAM**

The program funds research that will advance knowledge concerning Alzheimer's disease and related disorders. An advisory board makes research awards to researchers in public or private educational, health care, and research institutions and other voluntary health associations.

#### **Fiscal Year 2005 Governor's Recommendations**

Continue funding at the current level.

#### **SPINAL CORD INJURY RESEARCH**

The program funds research that will advance knowledge concerning spinal cord injuries and congenital or acquired disease processes. Research awards are made by an advisory board to researchers in public or private educational, health care, and research institutions and other voluntary health associations.

#### **Fiscal Year 2005 Governor's Recommendations**

Continue funding at the current level.

#### **STATE SEMINARY FUND INVESTMENTS AND INTEREST ON INVESTMENTS**

The state seminary fund consists of the proceeds of the sale of land donated to the state, proceeds from a direct tax received from the United States, the James S. Rollins scholarship fund, and others. Income from the state seminary moneys fund is given to the University of Missouri as required by Article IX, Section 6 of the Missouri Constitution, and by Section 172.610, RSMo.

#### **Fiscal Year 2005 Governor's Recommendations**

Continue funding at the current level.

# DEPARTMENT OF INSURANCE

## FINANCIAL SUMMARY

	FY 2003 EXPENDITURE	FY 2004 APPROPRIATION	FY 2005 REQUEST	GOVERNOR RECOMMENDS FY 2005
Administration	\$ 6,153,162	\$ 6,804,032	\$ 6,377,820	\$ 6,476,719
Market Conduct and Financial Examinations	6,416,423	7,464,678	7,275,712	7,380,190
Health Insurance Counseling	312,958	450,000	450,000	650,000
DEPARTMENTAL TOTAL	\$ 12,882,543	\$ 14,718,710	\$ 14,103,532	\$ 14,506,909
General Revenue	0	0	0	200,000
Federal Funds	312,958	450,000	450,000	450,000
Insurance Examiners Fund	6,416,423	7,464,678	7,275,712	7,380,190
Department of Insurance Dedicated Fund	6,153,162	6,804,032	6,377,820	6,476,719
Full-time equivalent employees	215.53	226.50	222.50	222.50

## POLICY SUMMARY

Governor Holden's budget for Fiscal Year 2005 provides a total of \$14.5 million for the Department of Insurance. The department provides services for Missouri consumers to protect and provide oversight of the insurance industry. The core functions provided by the Department of Insurance include:

- Promoting a competitive marketplace to ensure affordable insurance is available to Missourians.
- Providing outreach and educational assistance to aid consumers in making informed purchasing decisions.

Some performance measures the Department of Insurance uses to evaluate the availability and affordability of insurance for Missouri consumers follow:

	2000	2001	2002
Percentage of Missourians (non-elderly) with health insurance	88.0%	88.4%	86.8%
Amount recovered for consumers from disputed claims (millions)	\$7.4	\$12.6	\$10.5
Amount of market conduct recoveries for consumers	\$99,827	\$229,627	\$7,153,142
Number of seniors receiving services from the CLAIM Program	7,248	7,339	8,630
CLAIM program recoveries for Missouri seniors	\$1,061,152	\$1,474,652	\$991,192
Missouri versus nationwide premiums paid to claims paid for:			
workers' compensation insurance*	+5.2%	-10.2%	-6.14%
all property and casualty lines*	-2.0%	+6.1%	-1.7%
all accidental and health lines*	+0.03%	+1.7%	-0.3%

\* Negative number indicates Missouri has a better rate than the national average.

### Improved Efficiency

Missouri has always been a low tax state and has, therefore, provided only essential services at a very low cost. The state's already low tax level combined with two consecutive years of declining revenue have led to significant reductions in many programs. However, under Governor Holden's leadership, state agencies have minimized the negative impact on services by dramatically reducing administrative costs and by developing ways to provide remaining services in the most efficient way possible.

The Department of Insurance has aggressively improved the services it provides and reduced administrative costs by:

- Increasing the information available for consumers and insurance companies on the website. This has reduced printing costs for the department and saves time for consumers and insurance companies allowing them immediate access to the information they need.
- Streamlining and improving its regulatory processes. The department has worked closely with the National Association of Insurance Commissioners and other state regulators to bring more uniformity, lower costs, and quicker approval to the regulation of the insurance industry.

## **DEPARTMENT OF INSURANCE**

### **POLICY SUMMARY (Continued)**

In addition to cost cutting measures already implemented, the Department of Insurance plans to:

- Develop programs that allow for additional use of electronic filing and applications, reducing time and costs for the department, companies, and producers.
- Increase Market Conduct and Financial Examination's use of desk audits, reducing associated costs for the department and companies.

### **Fiscal Year 2005 Governor's Recommendations**

- \$200,000 transferred from the Department of Health and Senior Services for health insurance counseling.
- \$203,377 other funds for pay plan.
- (\$615,178) other funds and (four) staff in core reduction from the Fiscal Year 2004 appropriation level.

# DEPARTMENT OF LABOR AND INDUSTRIAL RELATIONS

## FINANCIAL SUMMARY

	FY 2003 EXPENDITURE	FY 2004 APPROPRIATION	FY 2005 REQUEST	GOVERNOR RECOMMENDS FY 2005
Department Administration	\$ 9,263,427	\$ 20,522,992	\$ 18,130,102	\$ 18,267,644
Industrial Commission	819,371	895,087	895,087	908,570
Division of Labor Standards	2,060,702	2,953,740	2,953,740	2,995,168
Governor's Council on Disability	2,356,435	3,769,305	0	0
State Board of Mediation	135,220	134,064	134,064	124,885
Commission on Human Rights	1,819,227	1,925,009	1,925,009	1,958,246
Division of Workers' Compensation	67,571,397	73,897,014	77,049,869	76,861,358
Division of Employment Security	31,261,979	48,225,973	56,635,762	57,156,408
DEPARTMENTAL TOTAL	\$ 115,287,758	\$ 152,323,184 *	\$ 157,723,633	\$ 158,272,279
General Revenue Fund	3,516,405	3,118,319	3,144,808	2,831,376
Federal Funds	40,184,791	68,097,711	61,410,133	62,063,361
Deaf Relay Service and Equipment				
Distribution Program Fund	1,396,043	2,656,045	0	0
Tort Victims' Compensation Fund	35,989	3,056,556	156,556	157,387
Workers' Compensation Fund	10,828,280	13,110,496	12,644,968	12,837,288
Second Injury Fund	50,729,820	53,500,000	58,500,000	58,500,000
Crime Victims' Compensation Fund	6,751,664	5,983,173	6,466,284	6,473,191
Child Labor Enforcement Fund	48,293	200,000	200,000	200,000
Special Employment Security Fund	1,796,473	2,600,884	15,200,884	15,209,676
Full-time equivalent employees	1,091.78	1,278.77	1,186.91	1,186.41

\* Does not include \$1,542,673 federal and other funds recommended in Fiscal Year 2004 Supplemental Appropriations. See the Supplemental section of the Missouri Budget for details regarding the Department of Labor and Industrial Relations supplemental appropriations.

## POLICY SUMMARY

Governor Holden's budget for Fiscal Year 2005 provides a total of \$158.3 million for the Department of Labor and Industrial Relations. The department provides services for Missouri employees and employers that help provide safe and healthy workplaces and ensure economic security. The core functions provided by the Department of Labor and Industrial Relations include:

- Processing and awarding payment of compensation to those who are unemployed, injured at work, or victims of crime.
- Assuring safe and healthy workplaces for Missouri employees through on-site inspections that identify hazards to be corrected in the workplace.
- Enforcing anti-discrimination laws and promoting equal access to jobs for all Missourians.

Some of the performance measures the Department of Labor and Industrial Relations uses to monitor its success follow:

	2001	2002	2003
Number of job-related accidents, illnesses, and fatalities	165,697	155,333	141,844
Amount of unemployment benefits returned to the economy (millions)	\$414.1	\$644.3	\$726.0
Amount of fines avoided by Missouri businesses (millions)	\$3.1	\$3.6	\$3.9

### Ensuring Economic Security

In order to ensure economic security for all Missourians, the department efficiently maintains a comprehensive and complex system that provides Missourians with financial benefits when they become unemployed through no fault of their own, are injured on the job, or become a victim of crime.

## DEPARTMENT OF LABOR AND INDUSTRIAL RELATIONS

### POLICY SUMMARY (Continued)

To ensure continued economic security for Missourians, the Governor recommends:

- \$12.6 million other funds to cover the interest charges due to the United States Treasury for money borrowed to pay unemployment insurance benefits. Over \$100 million has been borrowed from the federal government because Missouri's unemployment fund is insolvent.
- \$5 million other funds to ensure all eligible claimants are compensated in cases where a prior injury is made worse by a current work-related injury or the employer does not have workers' compensation coverage. This brings the total appropriation of second injury funds to \$58.5 million.
- \$700,000 federal and other funds to compensate victims of crime and enable them to cover costs incurred as a direct result of a violent crime.

### **Improved Efficiency**

Missouri has always been a low tax state and has, therefore, provided only essential services at a very low cost. The state's already low tax level combined with two consecutive years of declining revenue have led to significant reductions in many programs. However, under Governor Holden's leadership, state agencies have minimized the negative impact on services by dramatically reducing administrative costs and by developing ways to provide remaining services in the most efficient way possible.

The Department of Labor and Industrial Relations has aggressively improved the services it provides and reduced administrative costs by:

- Reducing staff positions and cross training employees within the department's administrative unit, resulting in net savings of over \$100,000.
- Consolidating leasing costs and placing staff from other state agencies within department-owned facilities, generating annual savings of over \$180,000.
- Increasing the number of forms and applications accessible through the Internet.
- Reducing postage rates and costs by entering into a mutually beneficial partnership with the University of Missouri – Columbia's Campus Mail Service Facility and redesigning a required informational item that has an annual mailing of more than 400,000 pieces, resulting in nearly \$200,000 in postage savings.
- Utilizing innovative computer technology to receive and respond to reports of workplace injuries electronically, resulting in an annual postage cost savings of \$33,000 in the Division of Workers' Compensation.

In addition to cost cutting measures already implemented, the Department of Labor and Industrial Relations plans to:

- Provide the Annual Wage Order, which is used to determine the local prevailing wage, through the Internet; savings are projected to be \$13,000 per year or more due to a reduction in postage, supply costs, and staff time.
- Increase the number of First Reports of Injury filed electronically with the Division of Workers' Compensation from 67 percent to 87 percent.
- Re-bid the contract for the Telecommunications Access Program for Internet equipment to reduce administrative time spent in price verification.

### **Cuts Already Made**

The Department of Labor and Industrial Relations has worked to minimize the impact of reduced funding on services. However, the department's funding for services has been cut in recent years.

- The Division of Labor Standards disconnected its toll-free number for constituent calls, which forces the individual or business to bear the cost of the call for assistance.
- The On-Site Consultation Program and the Mine and Cave Inspection and Training Section are providing fewer consultations and mine inspections. Because fewer hazards are being identified at the state level, workers are at greater risk of injury and employers are more likely to be fined by the federal government.

## **DEPARTMENT OF LABOR AND INDUSTRIAL RELATIONS**

### **DEPARTMENT ADMINISTRATION**

The Director's Office provides leadership and supervision in the areas of policy, operation, and interagency coordination/cooperation. Functions centralized within the Director's Office include: administrative services, facilities and maintenance, financial management, human resources, legislative and public relations, research and analysis, telecommunications, legal, and information services.

#### **Fiscal Year 2005 Governor's Recommendations**

- \$137,542 for pay plan, including \$11,078 general revenue.
- (\$2,380,150) and (13.39) staff in core reduction from the Fiscal Year 2004 appropriation level, including (\$41,824) general revenue.
- (\$8,448) reallocated to the Governor's Council on Disability for transfer to the Office of Administration.
- (\$4,292) reallocated to the Labor and Industrial Relations Industrial Commission.
- (One) staff reallocated to the Division of Labor Standards.

### **DIVISION OF LABOR AND INDUSTRIAL RELATIONS COMMISSION**

The three-member Labor and Industrial Relations Commission reviews all appeals from all decisions and awards in workers' compensation, unemployment compensation, prevailing wage cases, victims of crime compensation cases, and tort victims' compensation cases at the highest administrative level. The commission conducts hearings and renders written opinions. The commission's opinions are subject to review by the judiciary. The commission is also charged with the statutory authority to approve or disapprove all rules or regulations promulgated by the divisions within the department.

#### **Fiscal Year 2005 Governor's Recommendations**

- \$15,105 for pay plan, including \$257 general revenue.
- \$4,292 reallocated from the department's administrative division.
- (\$5,914) core reduction from the Fiscal Year 2004 appropriation level, including (\$1,622) general revenue.

### **DIVISION OF LABOR STANDARDS**

State statutes require the Division of Labor Standards to assure the safety and health of Missouri workers. To reduce deaths and disabling injuries, staff conducts regular and special on-site inspections of businesses, industries, and commercial mines and caves. To ensure compliance with statutory provisions governing wage rates for public works projects, the division periodically surveys prevailing wage rates for laborers, mechanics, and other workers employed in the construction industry. The division conducts on-site inspections to assure compliance with Missouri's Child Labor Law. Also, the division provides safety and health training classes for mine operators and miners. All miners, whether surface or underground, are required by federal law to complete a minimum number of hours in training before beginning work and annually thereafter. The division provides on-site safety and health consultations to businesses and industrial facilities by qualified professional consultants to identify serious hazards and recommend means for eliminating them. Private employers are not charged for this service. The division performs these consultations upon employer requests.

#### **Fiscal Year 2005 Governor's Recommendations**

- \$41,428 for pay plan, including \$20,800 general revenue.
- One staff reallocated from the department's administrative division.
- (0.20) staff in core reduction from the Fiscal Year 2004 appropriation level.

## **DEPARTMENT OF LABOR AND INDUSTRIAL RELATIONS**

### **GOVERNOR'S COUNCIL ON DISABILITY**

The Governor's Council on Disability promotes full participation of the nearly one million Missourians with disabilities in all aspects of community life by educating employers, employees, local and state governments, persons with disabilities, and other interested parties of their rights and responsibilities under the Americans with Disabilities Act, Missouri Human Rights Act, and other disability rights laws.

The Missouri Assistive Technology Council supports access to adaptive devices that increase the independence and productivity of Missourians with all types of disabilities. The council provides adaptive telecommunications devices and computer adaptations, short-term loan of a full range of assistive technology, used equipment exchange, and low interest loans for the purchase of assistive technology and home modifications.

#### **Fiscal Year 2005 Governor's Recommendations**

- \$8,448 reallocated from the Administrative Division for the transfer of Governor's Council on Disability to the Office of Administration.
- (\$3,233,753) and (15.00) staff transferred to the Office of Administration, including (\$284,542) general revenue.
- (\$544,000) federal and other funds and (.70) staff in core reduction from the Fiscal Year 2004 appropriation level.

### **STATE BOARD OF MEDIATION**

The State Board of Mediation is a quasi-judicial board created by an act of the General Assembly in 1947 to mediate public utility disputes. Since 1967, the board has been charged with the responsibility of determining appropriate bargaining units of public employees, based upon their community of interest. It also conducts secret ballot elections to determine exclusive bargaining agent status. The board retains the authority to mediate disputes in the area of public utilities regarding wages and working conditions.

#### **Fiscal Year 2005 Governor's Recommendations**

- \$2,019 for pay plan.
- (\$11,198) and (0.50) staff in core reduction from the Fiscal Year 2004 appropriation level.

### **MISSOURI COMMISSION ON HUMAN RIGHTS**

The statutory mandate of the MCHR is to prevent and eliminate discrimination as prohibited by the Missouri Human Rights Act. The act requires the MCHR to receive, investigate, and resolve complaints of alleged discrimination in the areas of housing, employment, and public accommodations due to race, color, religion, national origin, ancestry, sex, disability, or age (in employment only) and familial status (in housing only). Through its education and outreach program the MCHR reduces intergroup conflict and discourages illegal discrimination.

#### **Fiscal Year 2005 Governor's Recommendations**

- \$33,561 for pay plan, including \$18,413 general revenue.
- (\$324) core reduction from the Fiscal Year 2004 appropriation level.



**DEPARTMENT OF LABOR AND INDUSTRIAL RELATIONS  
DIVISION OF WORKERS' COMPENSATION**

**FINANCIAL SUMMARY**

	FY 2003 EXPENDITURE	FY 2004 APPROPRIATION	GOVERNOR RECOMMENDS FY 2005
Administration	\$ 8,689,405	\$ 9,482,547	\$ 9,641,632
Second Injury Benefits	50,729,820	53,500,000	58,500,000
Crime Victims' Administration	276,070	414,467	419,726
Crime Victims' Compensation Benefits	7,876,102	7,500,000	8,200,000
Tort Victims Compensation Payments	0	3,000,000	100,000
DIVISIONAL TOTAL	\$ 67,571,397	\$ 73,897,014	\$ 76,861,358
PERSONAL SERVICE			
Tort Victims' Compensation Fund	32,064	41,556	42,387
Workers' Compensation Fund	7,516,332	7,889,219	8,048,826
Crime Victims' Compensation Fund	197,905	286,294	290,200
EXPENSE AND EQUIPMENT			
Federal Funds	0	50,000	50,000
Tort Victims' Compensation Fund	3,925	15,000	15,000
Workers' Compensation Fund	1,087,084	1,432,649	1,432,649
Second Injury Fund	520,383	393,866	364,467
Crime Victims' Compensation Fund	78,165	101,558	101,558
PROGRAM SPECIFIC DISTRIBUTION			
Federal Funds	1,525,431	2,054,359	2,243,219
Tort Victims' Compensation Fund	0	3,000,000	100,000
Workers' Compensation Fund	50,000	50,000	50,000
Second Injury Fund	50,209,437	53,106,134	58,135,533
Crime Victims' Compensation Fund	6,350,671	5,476,379	5,987,519
TOTAL	\$ 67,571,397	\$ 73,897,014	\$ 76,861,358
Federal Funds	1,525,431	2,104,359	2,293,219
Tort Victims' Compensation Fund	35,989	3,056,556	157,387
Workers' Compensation Fund	8,653,416	9,371,868	9,531,475
Second Injury Fund	50,729,820	53,500,000	58,500,000
Crime Victims' Compensation Fund	6,626,741	5,864,231	6,379,277
Full-time equivalent employees	173.48	184.75	184.75

**DIVISION OF WORKERS' COMPENSATION - ADMINISTRATION**

The Division of Workers' Compensation processes all reports of job-related injuries and formal claims for compensation filed with the division under the "Missouri Workers' Compensation Law." The division also resolves disputed issues between an employee and employer/insurer through mediation and/or evidentiary hearings conducted by its administrative law judges and/or legal advisors. The division administers the rehabilitation of seriously injured workers, resolves disputes concerning the reasonableness of medical fees and charges, helps employers and insurers develop safety programs, reviews and approves applications by employers or group trusts for self-insurance authority, and investigates allegations of workers' compensation fraud and noncompliance.

**Fiscal Year 2005 Governor's Recommendations**

- \$159,085 other funds for pay plan.

**DEPARTMENT OF LABOR AND INDUSTRIAL RELATIONS  
DIVISION OF WORKERS' COMPENSATION**

**SECOND INJURY FUND**

The Second Injury Fund is designed to compensate an injured employee when a current work-related injury combines with any prior injury that creates an increased combined disability. The basic concept is "the whole is greater than the sum of its part." For example, if an injured employee has a 15 percent disability from the current work-related injury and a 15 percent disability from the prior injury, and the combined disability is 40 percent, the fund pays for the increased disability. The fund is also responsible for payment of medical bills for injured employees when the employer fails to insure its workers' compensation liability. In addition, if the employee is killed, burial expenses and death benefits in the form of weekly payments to the surviving spouse or dependents of the employee are paid from the fund. The fund also provides benefits to injured employees undergoing physical rehabilitation. For injuries taking place after August 28, 1998, the fund also provides second job lost wage benefits.

**Fiscal Year 2005 Governor's Recommendations**

- \$5,000,000 other funds for increased payments.

**CRIME VICTIMS' ADMINISTRATION**

The Crime Victims' Administration Unit was established to investigate all claims by victims of crime, which are filed with the division in order to determine eligibility under the statute and the amount of losses incurred. The unit fulfills these responsibilities by processing and investigating claims and awarding or denying compensation.

**Fiscal Year 2005 Governor's Recommendations**

- \$5,259 other funds for pay plan.

**CRIME VICTIMS' COMPENSATION**

The Crime Victims' Compensation Program processes and awards benefits to eligible victims of violent crimes. Crime victims' compensation benefits are available to individuals who, through no fault of their own, find themselves victimized by violent crimes. Since benefits are only paid to recover expenditures made or wages lost as a result of their victimization, benefit recipients do not profit from the criminal violation. State funding to pay benefits is derived from a combination of court fees assessed in criminal cases and fines levied against individuals convicted of criminal activity. Federal grant dollars are also awarded based on the state's prior year expenditure for benefits.

**Fiscal Year 2005 Governor's Recommendations**

- \$700,000 federal and other funds for increased Crime Victims' Compensation payments.

**TORT VICTIMS' COMPENSATION**

The Tort Victims' Compensation Fund provides benefits to individuals who have received a final monetary judgment in a civil case but who have been unable to collect all, or part of, the judgment entered against the defendant. Funding is provided from the Tort Victims' Compensation Fund. The fund's exclusive revenue source is 50 percent of all punitive damage awards entered in civil cases in Missouri. Of this amount, 74 percent is used to pay victims of torts.

**Fiscal Year 2005 Governor's Recommendations**

- (\$2,900,000) other funds core reduction from the Fiscal Year 2004 appropriation level.

**DEPARTMENT OF LABOR AND INDUSTRIAL RELATIONS  
DIVISION OF EMPLOYMENT SECURITY**

**FINANCIAL SUMMARY**

	FY 2003 EXPENDITURE	FY 2004 APPROPRIATION	GOVERNOR RECOMMENDS FY 2005
Administration	\$ 25,859,224	\$ 36,745,404	\$ 35,067,047
Special Employment Security Fund	1,676,473	2,480,569	15,089,361
Employment and Training Payments	3,726,282	9,000,000	7,000,000
DIVISIONAL TOTAL	\$ 31,261,979	\$ 48,225,973	\$ 57,156,408
PERSONAL SERVICE			
Federal Funds	20,506,543	28,121,916	26,104,522
Special Employment Security Fund	8,831	100,569	448,398
EXPENSE AND EQUIPMENT			
Federal Funds	5,352,681	8,623,488	8,962,525
Special Employment Security Fund	1,667,642	2,280,000	14,640,963
PROGRAM SPECIFIC DISTRIBUTION			
Federal Funds	3,726,282	9,000,000	7,000,000
Special Employment Security Fund	0	100,000	0
TOTAL	\$ 31,261,979	\$ 48,225,973	\$ 57,156,408
Federal Funds	29,585,506	45,745,404	42,067,047
Special Employment Security Fund	1,676,473	2,480,569	15,089,361
Full-time equivalent employees	641.25	795.28	732.71

**DIVISION OF EMPLOYMENT SECURITY - ADMINISTRATION**

The Division of Employment Security is responsible for determining employer liability, collecting unemployment compensation taxes from Missouri liable employers, paying unemployment benefits to eligible claimants, maintaining wage records of Missouri workers, and investigating cases involving possible fraud and benefit overpayments.

**Fiscal Year 2005 Governor's Recommendations**

- \$511,854 federal funds for pay plan.
- (\$2,190,211) federal funds and (62.57) staff in core reduction from the Fiscal Year 2004 appropriation level.
- (12) staff reallocated to the Special Employment Security Fund.

**SPECIAL EMPLOYMENT SECURITY FUND**

The special employment security fund is derived from interest and penalties collected under the provisions of the Missouri Employment Security Law. Expenditures from this fund are made in accordance with Section 288.310, RSMo, which includes refunds of overcollected interest and penalties and administrative expenses of the division not covered by the federal grant. The fund may also be used to acquire suitable office space for the division. Section 288.128, RSMo, provides for federal interest assessments on Title XII advances to the unemployment trust fund to be deposited into this fund until payment to the federal government is made.

**Fiscal Year 2005 Governor's Recommendations**

- \$12,600,000 other funds to pay the interest charges due to the United States Treasury for money borrowed to pay unemployment insurance benefits.
- \$8,792 other funds for pay plan.
- 12 staff reallocated from the Employment Security Administration.

**DEPARTMENT OF LABOR AND INDUSTRIAL RELATIONS  
DIVISION OF EMPLOYMENT SECURITY**

**EMPLOYMENT AND TRAINING PAYMENTS**

The Division of Employment Security operates employment and training programs authorized and funded by the U.S. Department of Labor as authorized by the North American Free Trade Agreement (NAFTA) and the Trade Adjustment Assistance (TAA) programs. The division contracts with the Division of Workforce Development and others to provide a full range of services. Services include referral to employer job openings, job readiness skills training, referral to classroom or employer training, as well as payment of support services such as transportation, subsistence, and relocation allowances.

**Fiscal Year 2005 Governor's Recommendations**

- (\$2,000,000) other funds core reduction from the Fiscal Year 2004 appropriation level.

# DEPARTMENT OF MENTAL HEALTH

## FINANCIAL SUMMARY

	FY 2003 EXPENDITURE	FY 2004 APPROPRIATION	FY 2005 REQUEST	GOVERNOR RECOMMENDS FY 2005
Office of the Director	\$ 48,963,287	\$ 44,395,002	\$ 44,163,246	\$ 44,325,772
Division of Alcohol and Drug Abuse	67,547,149	98,569,914	98,842,995	99,157,388
Division of Comprehensive Psychiatric Services	280,353,599	366,785,462	375,347,333	377,307,371
Division of Mental Retardation and Developmental Disabilities	246,306,483	419,282,083	427,791,298	434,665,529
<b>DEPARTMENTAL TOTAL</b>	<b>\$ 643,170,518</b>	<b>\$ 929,032,461 *</b>	<b>\$ 946,144,872</b>	<b>\$ 955,456,060</b>
General Revenue Fund	505,786,104	509,586,118	515,272,447	522,527,997
Federal Funds	101,986,367	383,833,022	395,490,409	397,516,700
Mental Health Intergovernmental Transfer Fund	13,031,833	10,000,000	10,000,000	10,000,000
General Revenue Reimbursements Fund	2,808,041	4,544,329	4,544,329	4,544,329
Compulsive Gamblers Fund	249,885	452,988	452,988	453,688
Health Initiatives Fund	6,001,338	5,962,195	5,962,195	5,966,317
Family Support Loan Program Fund	43,120	291,305	0	0
Mental Health Earnings Fund	2,132,555	3,711,600	3,711,600	3,713,384
HFTF-Health Care Account	2,827,681	2,077,681	2,077,681	2,077,681
HFTF-Tobacco Prevention Account	300,000	300,000	300,000	300,000
Institution Gift Trust Fund	8,003,594	8,273,223	8,333,223	8,355,964
<b>Full-time equivalent employees</b>	<b>10,140.47</b>	<b>9,809.48</b>	<b>9,698.82</b>	<b>9,343.91</b>

\* Does not include \$1,538,800 recommended in Fiscal Year 2004 Supplemental Appropriations. See the Supplemental section of the Missouri Budget for details regarding the Department of Mental Health supplemental appropriations.

## POLICY SUMMARY

Governor Holden's budget for Fiscal Year 2005 provides \$955 million for the Department of Mental Health. The Department provides services for Missourians challenged by substance addiction, mental illness, and developmental disabilities. The core functions provided by the Department of Mental Health include:

- Providing substance abuse prevention, education, intervention, and treatment. The department also provides services for compulsive gamblers. The Division of Alcohol and Drug Abuse strives to have a positive impact on the wide-ranging social problems that are associated with substance abuse and other addictions – problems that cost the state's economy in lost productivity, health care expenditures, and crime.
- Offering prevention, evaluation, treatment, and rehabilitation services for individuals and families requiring public mental health services. One in four families in Missouri is affected by mental illness. While many persons with mental illnesses seek and obtain treatment from private health care providers, more than 50,000 people each year turn to the Department of Mental Health's Division of Comprehensive Psychiatric Services.
- Improving the lives of persons with developmental disabilities – those who are substantially limited in their ability to function independently. The Division of Mental Retardation and Developmental Disabilities (MRDD) has a commitment to building partnerships to support individuals with developmental disabilities and their families in meeting their own unique needs. This is accomplished through a person-centered planning process designed to provide programs and services, enabling clients to live in the least restrictive setting given their individual needs and capabilities.

## **DEPARTMENT OF MENTAL HEALTH**

### **POLICY SUMMARY (Continued)**

#### **Maintaining Public Safety**

Most Missourians with mental disabilities pose no threat to others, but the department does help ensure public safety through prevention and treatment of substance abuse, treatment of persons whose mental disabilities make them dangerous to themselves or others, and custody and treatment for individuals judged to be sexually violent predators. The department's responsibilities for the custody and treatment of these individuals are central to its role in protecting the public. To address these issues Governor Holden recommends:

- \$5 million federal funds to develop an integrated community-based system of care for children with severe behavioral disorders.
- \$1.2 million to expand the treatment program for sexually violent predators at the Southeast Missouri Mental Health Center. This additional 17-bed ward will provide treatment and housing for those individuals adjudicated by the courts as sexually violent predators. It is projected that the Missouri Sexual Offender Treatment Center will be at full capacity by July 2004.

#### **Meeting the Needs of Mental Health Clients**

The Department of Mental Health will serve approximately 140,000 Missourians and their families, either because they have very limited incomes and must rely on the state for services or because the services they need cannot be found elsewhere. Furthermore, the demand for services to prevent or reduce the effects of mental health problems is greater than ever before.

To continue providing essential mental health services, Governor Holden recommends:

- \$16.8 million, including \$6.5 million general revenue, for caseload growth in the department's Medicaid programs.
- \$892,296 federal funds to develop standardized screening and assessment for Missourians with both substance related and mental health disorders.
- \$289,706 federal funds to develop evidence-based strategies to reduce underage drinking across the State of Missouri.

The Division of Mental Retardation and Developmental Disabilities (MRDD) has reviewed issues regarding downsizing habilitation centers. This is a complex, multi-prong issue, which involves over 1,400 persons who reside at the habilitation centers, over 4,600 staff who work at these facilities, and the communities where centers are located. Factors to be considered in downsizing include:

- Providing for the needs of clients and families that they serve.
- Lack of provider capacity in communities that would become responsible for providing services.
- Potential loss of federal earnings.
- The economic impact on communities, especially those in rural areas where the habilitation center may be the largest local employer.

This process will continue to be reviewed to effectively develop needed resources, recruit and train appropriate community staff, and assure family involvement.

#### **Improved Efficiency**

Missouri has always been a low tax state and has, therefore, provided only essential services at a very low cost. The state's already low tax level combined with two consecutive years of declining revenue have led to significant reductions in many programs. However, under Governor Holden's leadership, state agencies have minimized the negative impact on services by dramatically reducing administrative costs and by developing ways to provide remaining services in the most efficient way possible.

## DEPARTMENT OF MENTAL HEALTH

### POLICY SUMMARY (Continued)

The Department of Mental Health has a long record of leadership in the search for ways to use existing resources more creatively and effectively by:

- Securing additional funding through the Federal Medicare Prescription Drug Bill (2003). This bill allows the department to increase the disproportionate share fund earnings by 16 percent for Fiscal Year 2005, which will enable Missouri to receive an additional \$30.6 million. These funds will be used to avoid further community program reductions.
- Privatizing Mid-Missouri Mental Health Center's (MMMHC) outpatient children services to improve coordination and integration of services. Services were transferred to the University of Missouri Health Care (UMHC) system because it is able to increase the services provided to children without additional state funding by leveraging other resources available to them. This privatization resulted in a reduction of 14 staff and a redirection of savings to provide additional services to clients.
- Closing Western Missouri Mental Health Center's New Prospects workshop program to improve facility operations and more efficiently utilize state funding by not duplicating services. The Department of Elementary and Secondary Education's Division of Vocational Rehabilitation (VR) also provides a workshop program. VR is able to provide mental health clients psychosocial rehabilitation and employment services without additional state funding by leveraging federal resources available to them. This plan resulted in a reduction of 23 staff and a redirection of savings to provide additional services to clients.
- Consolidating administrative functions throughout the department, including psychiatric and habilitation hospitals, resulting in a reduction of \$3.1 million and 90 staff.
- Closing Northwest Missouri Psychiatric Rehabilitation Center children's unit. This program's utilization rate was consistently lower than available capacity. The clients have been redirected to private community providers specializing in youth inpatient treatment and programming. This plan resulted in a reduction of \$2.3 million and 68 staff.
- Implementing legislation to sustain the most successful Substance Abuse Treatment Offenders Program (SATOP) in the country. SATOP is an education and treatment program for persons convicted of alcohol-related driving offenses. With passage of HB 600 (2003), funding will be maintained by authorizing the Department of Mental Health to establish and collect fees paid by persons enrolled in the program. This enables the program to be self-supporting and frees up \$1.3 million annually, which will help fund other vital government services in these difficult economic times.
- Implementing copayment requirements on recipients receiving mental health services in the Medicaid program. Nominal copayments should encourage prudent use of services and is consistent with private industry practice and cost containment efforts undertaken by other states. The estimated savings in Fiscal Year 2005 are \$3.9 million, including \$1.5 million in general revenue.

In addition to the cost reduction measures already implemented, the Department of Mental Health plans to:

- Privatize the residential placement functions performed by staff in psychiatric facilities. This privatization will result in a reduction of 20 staff.
- Close several psychiatric facilities and cottages to improve facility operations. This plan will result in a reduction of \$2.7 million and 305 staff.
- Privatize the Alcohol and Drug Abuse inpatient treatment program at Fulton State Hospital. This effort will result in a reduction of 43 staff.
- Consolidate administrative functions in habilitation hospitals, resulting in a reduction of over \$400,000 and 8 staff.
- Halt capital improvement projects on habilitation centers scheduled to close, saving an estimated \$1.5 million in the short term and avoiding future capital improvement costs at these facilities.

### Cuts Already Made

The Department of Mental Health has worked to minimize the impact of reduced funding on services. However, the department's funding for services has been cut in recent years. Reductions of \$21.3 million over the past two fiscal years have negatively impacted thousands of Missourians who rely on state services to remain in their community, to keep their disabled children at home, or to receive mental health treatment. Negative impacts from these cuts are numerous, including:

- \$10.3 million in reductions to psychiatric community programs for over 4,000 serious and persistent mentally ill and serious emotionally disordered children and adults. Services reduced include outpatient treatment, residential treatment, case management, recovery supports, and crisis intervention alternatives. This funding cut also reduced acute beds purchased through community providers.

## DEPARTMENT OF MENTAL HEALTH

### POLICY SUMMARY (Continued)

- \$7.2 million in reductions to community programs for 2,000 non-Medicaid eligible disabled Missourians, resulting in reduced services to autistic clients, day habilitation, respite care, and transportation services.
- \$3.8 million in reductions to substance abuse treatment services, resulting in more than 1,300 non-Medicaid eligible clients no longer having access to residential and outpatient habilitation services and recovery treatment networks. These include services such as Oxford Houses and Comprehensive Substance Treatment and Rehabilitation (CSTAR) programs that serve pregnant women and women with children. This funding cut also reduced substance abuse treatment contracts.

Some performance measures the Department of Mental Health uses to evaluate the success of its programs follow:

	2001	2002	2003
Average decrease in arrests following admission for those who successfully complete substance abuse treatment	-92.0%	-94.0%	-93.0%
Current (past 30 days) use of alcohol by 10th grade students	45.0%	39.0%	NA **
Current (past 30 days) use of marijuana by 10th grade students	12.0% *	10.0%	NA **
Percent of developmentally disabled children with DMH support whose families care for them at home	97.8%	99.1%	96.8%
Percentage of SATOP graduates that do not commit repeat drunk driving offenses following discharge	97.0%	97.0%	97.0%
Number of drug-free births to women in specialized CSTAR substance abuse treatment programs	65	84	76
Alcohol and drug abuse treatment clients	37,523	37,466	35,813
Psychiatric clients in community programs	61,799	62,572	60,974
Developmentally disabled clients in community settings	27,597	29,685	27,354

\*Data identified under 2001 is from survey in 2000

\*\*Student survey conducted every two years



## **DEPARTMENT OF MENTAL HEALTH**

### **OFFICE OF THE DIRECTOR**

The Department of Mental Health establishes policies, standards, and quality outcomes for prevention, education, habilitation, rehabilitation, and treatment for Missourians challenged by mental illness, substance abuse/addiction, and developmental disabilities. The department implements policy and programs through three program divisions -- Comprehensive Psychiatric Services, Mental Retardation and Developmental Disabilities, and Alcohol and Drug Abuse. Services are provided through an array of community-based programs and outpatient clinics, inpatient hospitals, long-term rehabilitation centers, and habilitation centers. The department operates under the advice of a seven-member Mental Health Commission appointed by the Governor.

The Office of the Director implements the plans and policies of the Mental Health Commission and manages the department. Its Office of Consumer Affairs represents consumer and family viewpoints in decision and policy development. The Office of Legislative Liaison reviews and analyzes state and federal legislation that pertains to services provided by the department and assists the program and support divisions with policy review and implementation. The General Counsel assists in litigation and represents the department at hearings, pleadings, briefings, waiver summons, and subpoenas. The Office of Administration provides management and fiscal support, including the annual budget, capital improvements, accounting, building maintenance and management, revenue management, contracting, dietary consultation, purchasing, and general services. The Office of Quality Management provides a variety of oversight and support functions which include: financial and compliance audits, abuse and neglect investigations, licensure and certification reviews, health care consultation, nursing home reform administration, administrative hearings/appeals, regulatory process and review, strategic planning, and maintenance of Health Insurance Portability and Accountability (HIPAA) compliance. The Office of Human Resources coordinates department-wide personnel, labor relations, and other related functions. The Office of Public Affairs disseminates information to reduce stigma and raise awareness about mental health programs and services and assists the divisions and facilities in such activities. The Office of Information Systems is responsible for the information technology within the department.

The Office of the Director also administers several department-wide activities. These include refunding overpayments by private payors and insurers, tracking the use of private donations to the department, and administering federal grants.

### **Fiscal Year 2005 Governor's Recommendations**

- \$186,696 for pay plan, including \$160,966 general revenue.
- (\$217,046) and (5.5) staff in core reduction from the Fiscal Year 2004 appropriation level, including (\$213,838) general revenue.
- (\$38,880) federal funds and (one) staff reallocated to the Division of Alcohol and Drug Abuse administration to bring appropriation authority in line with spending.
- (Four) staff other funds core reduction of excess appropriation authority.

## **DEPARTMENT OF MENTAL HEALTH**

### **DIVISION OF ALCOHOL AND DRUG ABUSE**

The Division of Alcohol and Drug Abuse (ADA) has the responsibility of ensuring that treatment and prevention services are accessible to persons with substance abuse and gambling disorders, and those at risk for substance abuse and compulsive gambling. The division achieves these goals through a treatment system of contracted community-based providers and state-operated facilities and contracts for 35 general treatment service programs and 43 Comprehensive Substance Treatment and Rehabilitation programs (CSTAR). The general treatment service programs offer an array of services, including detoxification from drugs and alcohol, residential treatment, and outpatient treatment. The CSTAR programs offer comprehensive services through three levels of care based on need and severity of addiction. The division has established 12 CSTAR programs specifically for pregnant women and their children and 13 programs specifically for adolescents. The division's administrative responsibilities include, but are not limited to, fiscal oversight, technical assistance and training, standard setting to ensure quality services, research, public information dissemination, clinical review and service authorization, review and oversight of the division's budget, and program planning and policies for prevention and treatment services. Missouri receives federal funds from the Substance Abuse Prevention and Treatment Block Grant, the Center for Substance Abuse Treatment, and the U.S. Department of Education.

#### **Fiscal Year 2005 Governor's Recommendations**

- \$2,838,667 for anticipated caseload increases in Medicaid treatment services, including \$1,100,550 general revenue.
- \$892,296 federal funds and one staff to develop and implement a system to adequately screen and assess individuals entering community-based alcohol or mental health treatment.
- \$631,152 federal funds to provide housing for chronically homeless disabled persons.
- \$289,706 federal funds to develop and implement methods to reduce underage drinking.
- \$155,481 federal and other funds to expand substance abuse treatment services for Medicaid eligible clients.
- \$42,228 to offset the decrease in the Medicaid match rate adjustment.
- \$82,581 for pay plan, including \$27,924 general revenue.
- \$559,419 reallocated from Southwest Missouri Psychiatric Rehabilitation Center for community-based treatment services.
- \$38,880 federal funds and one staff reallocated from the Office of the Director to bring appropriation authority in line with spending.
- (\$4,875,517) federal funds core reduction of excess appropriation authority across the division.
- (\$42,228) federal funds core reduction of the Medicaid match rate adjustment due to the decrease in the Federal Financial Participation (FFP) rate.
- (\$25,191) and (one) staff in core reduction from the Fiscal Year 2004 appropriation level, including (\$17,362) general revenue.
- (42.93) staff in core reduction due to the privatization of the Alcohol and Drug Abuse in-patient treatment program at Fulton State Hospital.

## DEPARTMENT OF MENTAL HEALTH

### DIVISION OF COMPREHENSIVE PSYCHIATRIC SERVICES

The Division of Comprehensive Psychiatric Services operates several state facilities and purchases residential, rehabilitative, and support services for clients who live in community settings. The ultimate objective is an integrated mental health service system that will enable clients to live as normally and independently as their conditions permit. The division funds a wide array of services, including residential care centers, foster homes, group homes, independent living programs, nursing homes, supported employment, crisis intervention, psychiatric rehabilitation, and other forms of assistance. Many of these services are partially funded through Medicaid.

The division provides inpatient care at four rehabilitation centers, one children's psychiatric hospital, one children's residential center, and four state-operated acute care centers. These facilities offer inpatient care for adults who are seriously mentally ill and for severely emotionally disturbed children. Services include acute care and long-term rehabilitation for clients who are not ready to return to the community. A large part of the population in the long-term rehabilitation facilities consists of forensic clients. These are people committed to the department by the courts as not guilty by reason of mental disease or defect, or as incompetent to stand trial. Fulton State Hospital and the Southeast Missouri Mental Health Center also provide mental health care for prison inmates. The division also operates the Sexually Violent Predator Program on the Southeast Missouri Mental Health Center campus. Following are data for these facilities:

Facility	Total Staffed Beds	Forensic and Corrections Beds
Fulton State Hospital	484	418
Northwest Missouri Psychiatric Rehabilitation Center	108	81
St. Louis Psychiatric Rehabilitation Center	212	155
Hawthorn Children's Psychiatric Hospital	52	0
Metropolitan St. Louis Psychiatric Center	100	0
Mid-Missouri Mental Health Center	69	0
Southeast Missouri Mental Health Center	204	110
Includes Farmington Correctional Center	20	20
Western Missouri Mental Health Center	205	0
Missouri Sexual Offender Treatment Center	82	0
Total	1,536	784

### Fiscal Year 2005 Governor's Recommendations

- \$4,960,524 federal funds and two staff to develop an integrated community-based system of care for children with severe behavioral disorders.
- \$3,279,453 for anticipated caseload increases in Medicaid treatment services, including \$1,271,443 general revenue.
- \$1,220,034 and 34.4 staff for increased caseload at the Missouri Sexual Offender Treatment Center.
- \$915,253 federal funds and 21 staff for children's inpatient treatment services for Medicaid eligible clients.
- \$631,152 federal funds to provide housing for chronically homeless disabled persons.
- \$171,420 to offset the decrease in the Medicaid match rate adjustment.
- \$33,210 for attorney fees and expenses.
- \$5,671,540 for pay plan, including \$5,496,039 general revenue.
- (\$2,687,040) and (304.95) staff in core reduction due to the closure of several psychiatric facilities and cottages to improve facility operations.
- (\$2,168,852) and (69.5) staff in core reduction from the Fiscal Year 2004 appropriation level.
- (\$707,000) federal funds and (4.66) staff in core reduction of excess appropriation authority across the division.
- (\$559,419) reallocated to the Division of Alcohol and Drug Abuse for community-based treatment services.
- (\$171,420) federal funds core reduction of the Medicaid match rate adjustment due to the decrease in the Federal Financial Participation (FFP) rate.
- (\$66,946) for one-time expenditures.
- (20.03) staff in core reduction due to the privatization of the residential placement functions performed by staff in psychiatric facilities.

## DEPARTMENT OF MENTAL HEALTH

### DIVISION OF MENTAL RETARDATION AND DEVELOPMENTAL DISABILITIES

The Division of Mental Retardation and Developmental Disabilities operates several facilities and purchases residential, habilitative, and support services for consumers who live in the community and for families who keep their developmentally disabled children at home. This is a key element in the development of an integrated system that will enable mentally retarded and developmentally disabled consumers to live as normally and independently as their conditions and behavior permit. Community-based services range from residential placements to support services for persons living with their families or in their own apartments. The Medicaid Home- and Community- Based Waiver plays a major role in the division's community service system. Its 11 regional centers are the entry and exit points for consumers. They provide screening and diagnostic services for both children and adults, evaluate the need for services and arrange for them, and monitor and assess consumers' progress.

The division provides residential services at the six state habilitation centers. These centers offer long-term training and habilitation for consumers who cannot move into community settings because of the severity of their disabilities or for behavioral reasons. Those who can make the change are eventually moved into community settings, with the goal of integrating them as fully as possible into normal community life. The following table shows the number of beds in the habilitation centers.

Facility	Total Staffed Beds
Bellefontaine Habilitation Center	358
Higginsville Habilitation Center	126
Marshall Habilitation Center	301
Nevada Habilitation Center	141
St. Louis Developmental Disabilities Treatment Center	236
Southeast Missouri Residential Services	85
Habilitation Center Clients in Community Settings	178
Total	1,425

### Fiscal Year 2005 Governor's Recommendations

- \$10,657,755 for anticipated caseload increases in Medicaid treatment services, including \$4,132,011 general revenue.
- \$417,190 to offset the decrease in the Medicaid match rate adjustment.
- \$152,427 federal funds to expand community programs.
- \$7,390,312 for pay plan, including \$6,505,815 general revenue.
- (\$2,097,167) and (63.4) staff in core reduction from the Fiscal Year 2004 appropriation level, including (\$2,054,337) general revenue.
- (\$428,576) and (eight) staff in core reduction for the consolidation of administrative functions in two habilitation centers.
- (\$417,190) federal funds core reduction of the Medicaid match rate adjustment due to the decrease in the Federal Financial Participation (FFP) rate.
- (\$291,305) other funds core reduction of excess appropriation authority across the division.

# DEPARTMENT OF NATURAL RESOURCES

## FINANCIAL SUMMARY

	FY 2003 EXPENDITURE	FY 2004 APPROPRIATION	FY 2005 REQUEST	GOVERNOR RECOMMENDS FY 2005
Office of the Director	\$ 7,072,813	\$ 8,177,132	\$ 8,177,132	\$ 8,254,574
Agency-Wide Operations	18,762,304	31,293,585	30,947,847	30,951,472
Outreach and Assistance Center	17,052,655	16,886,582	15,849,487	15,931,039
Environmental Improvement & Energy Res. Authority	0	1	1	1
Division of State Parks	29,986,912	36,210,199	36,052,672	36,804,457
Geology Survey and Resource Assessment Division	5,267,569	6,190,583	6,078,377	8,545,526
Environmental Programs	85,773,019	232,916,951	231,823,545	232,559,017
DEPARTMENTAL TOTAL	\$ 163,915,272	\$ 331,675,033	\$ 328,929,061	\$ 333,046,086
General Revenue Fund	10,530,395	8,936,771	8,838,419	8,645,754
Federal Funds	31,802,494	46,927,510	46,210,660	46,499,597
Water Pollution Control Fund	3,699,365	23,660,000	23,469,825	23,469,825
Stormwater Control Fund	0	20,000,000	18,985,859	18,985,859
Petroleum Storage Tank Insurance Fund	18,591,919	28,692,004	28,683,693	28,708,893
Water and Wastewater Loan Revolving Fund	4,650,000	24,000,000	24,000,000	24,000,000
Parks Sales Tax Fund	23,095,744	26,288,466	26,352,637	27,048,703
Soil and Water Sales Tax Fund	27,399,659	38,811,060	38,666,670	38,706,583
Water and Wastewater Loan Fund	1,311,386	50,000,003	50,000,003	50,000,003
Other Funds	42,834,310	64,359,219	63,721,295	66,980,869
Full-time equivalent employees	1,984.58	2,013.65	1,996.65	2,046.21

## POLICY SUMMARY

Governor Holden's budget for Fiscal Year 2005 provides a total of \$333 million for the Department of Natural Resources. The department strives to preserve, protect, and enhance Missouri's natural, cultural, and energy resources for present and future generations. The core functions provided by the Department of Natural Resources include:

- Managing Missouri's state parks and cultural and historical resources, a system which generates \$500 million annually for the state's economy.
- Protecting Missouri's water resources by enforcing state and federal environmental laws.
- Overseeing environmental programs that improve air quality and safely manage hazardous and solid waste.
- Helping landowners conserve Missouri's precious topsoil.
- Investigating the state's geology to determine the character and availability of the state's natural resources.
- Providing centralized assistance on environmental regulation and energy efficiency measures to builders, local governments, and farmers.

Some performance measures the Department of Natural Resources uses to evaluate the quality of Missouri's land and water follow:

	2000	2001	2002
Missourians living where drinking water meets federal water standards	97.7%	98.5%	95.0%
Tons of waste diverted from Missouri landfills (millions)	2.00	2.20	2.80
Tons of solid waste disposed per capita	1.14	1.11	1.09
Tons of soil saved (cumulative)	68.7 million	72.1 million	76.5 million
Land disturbed by mining activities that has been reclaimed	46.2%	46.3%	46.2%

Some performance measures the Department of Natural Resources uses to evaluate the quality of Missouri's air follow:

	2000	2001	2002
Missourians living where air meets government air quality standards for smog	65.3%	65.4%	100%
Missourians living where air meets government air quality standards for lead	99.9%	99.9%	99.9%
Missourians living where air meets government air quality standards for carbon monoxide	100%	100%	100%

## DEPARTMENT OF NATURAL RESOURCES

### POLICY SUMMARY (Continued)

Some performance measures the Department of Natural Resources uses to evaluate the effectiveness of parks and historic preservation programs follow:

	2001	2002	2003
Percentage of Missouri's rare, endangered, or threatened species located in state parks	21%	20%	22%
Number of individual resources included within the cumulative listings of Missouri properties listed on the National Register of Historic Places	17,216	19,373	20,327
Number of state park visitors statewide	18,103,273	17,760,076	17,015,544
Number of camping permits issued	293,559	286,899	277,501

#### Improved Efficiency

Missouri has always been a low tax state and has, therefore, provided only essential services at a very low cost. The state's already low tax level combined with two consecutive years of declining revenue have led to significant reductions in many programs. However, under Governor Holden's leadership, state agencies have minimized the negative impact on services by dramatically reducing administrative costs and by developing ways to provide remaining services in the most efficient way possible.

The Department of Natural Resources has aggressively improved the services it provides and reduced administrative costs by:

- Maintaining state oversight of Missouri's public water systems rather than relinquishing control to the Federal Environmental Protection Agency, saving Missourians approximately \$10 million over a three-year period.
- Reorganizing the Water Protection and Soil Conservation Division and the Air and Land Protection Division, reducing administrative costs by \$330,000 and redirecting the savings to environmental programs.
- Consolidating Dam Safety and Water Resource programs, resulting in a savings of \$106,261.
- Purchasing a less expensive and more practical uniform for employees of the Division of State Parks, saving \$60,000 over a five-year period.

In addition to cost cutting measures already implemented, the Department of Natural Resources plans to:

- Develop a survey so community needs can be better evaluated and available funds can be leveraged to address those needs.
- Help local governments plan, build, and manage infrastructure such as water pollution control facilities so that life cycle costs are minimized.

#### Cuts Already Made

The Department of Natural Resources has worked to minimize the impact of reduced funding on services. However, the department's funding for services has been cut in recent years, including:

- \$4 million for Landmark Local Park grants has been eliminated. This grant program provided an essential source of revenue for developing park and recreation facilities throughout the state.
- Funding for historic preservation loans and grants has been eliminated. These loans and grants provided financial assistance for the preservation of endangered properties. Local county historical societies, preservation organizations, and not-for-profit organizations used these loans and grants for upfront capital needed to acquire or stabilize historic properties.
- State inspections of Missouri dams have been stopped. Inspections will now be the responsibility of dam owners who will have to hire professional engineers to conduct the inspections and submit reports to the department.
- Drinking water loans to local communities have been reduced by requiring a portion of the bond proceeds to be used as state match for federal grants.
- \$217,290 for the coal program has been cut. This reduction may require the Land Reclamation program to be turned over to the U.S. Department of the Interior. Turning these activities over to the federal government will increase costs to Missouri's coal companies and may result in the closure of at least one of the two operating coal mines in Missouri because of more stringent federal standards.

## DEPARTMENT OF NATURAL RESOURCES

### POLICY SUMMARY (Continued)

- \$686,502 for administrative support has been reduced. This cut resulted in a reduction of consulting services available to local communities, elimination of the Internal Audit program causing payment processing delays, and reduced expenditures for new computer technology causing decreased employee productivity.

## **DEPARTMENT OF NATURAL RESOURCES**

### **OFFICE OF THE DIRECTOR**

The Office of the Director is responsible for the management of the department's five divisions, as well as the Outreach and Assistance Center, and for ensuring that the department meets all statutory responsibilities. The responsibilities include coordinating, developing, and implementing the department's strategic planning efforts; policy research; legislative initiatives; and employee relations' activities of the department. The Office of the Director represents Missouri before several regional and national organizations and agencies, including the U.S. Environmental Protection Agency, regional river basin associations, and the Midwest Interstate Low-Level Radioactive Waste Compact. The Division of Administrative Support develops the department's budget; performs accounting, internal auditing, and procurement functions; administers the department's personnel policies; and supports a statewide communications-computer infrastructure.

#### **Fiscal Year 2005 Governor's Recommendations**

- \$77,442 for pay plan, including \$17,439 general revenue.
- (One) staff core reduction from the Fiscal Year 2004 appropriation level.

### **AGENCY-WIDE OPERATIONS**

A number of issues are multi-faceted and require resources and expertise from several divisions within the Department of Natural Resources. To deal effectively with these issues, the department consolidated these operations agency-wide. These include audits to comply with federal single audit regulations, assistance with environmental impacts of highway projects, and activities of the Petroleum Storage Tank Insurance Fund Board. Also included within the department's agency-wide functions are activities related to homeland security. In the coming year, the department will continue to utilize federal funds to prepare public water systems to respond to possible terrorist attacks and ensure their ability to continue to provide safe water for their customers, as well as to install and operate a network of ambient air monitors.

#### **Fiscal Year 2005 Governor's Recommendations**

- \$5,706 federal and other funds for pay plan.
- (\$347,819) in core reduction from the Fiscal Year 2004 appropriation level, including (\$2,081) general revenue.



## **DEPARTMENT OF NATURAL RESOURCES**

### **OUTREACH AND ASSISTANCE CENTER**

The Outreach and Assistance Center is an initiative of the department's Fiscal Year 2003 reorganization to better serve Missouri citizens. The center performs a variety of vital department environmental, energy, preservation, and public outreach functions. It is comprised of the following offices:

- The Missouri Energy Center is Missouri's designated state energy office, helping Missourians use and produce energy wisely and efficiently to protect the environment and foster economic prosperity.
- The State Historic Preservation Office helps identify and preserve historic properties and cultural resources throughout the state, administers grants and loans, and assists taxpayers in qualifying for preservation tax credits.
- The Communications and Education Office supports department public information, Internet, and special event efforts. It publishes the "Missouri Resources" magazine, coordinates environmental education activities, and creates and distributes department publications, graphics, displays, and presentation materials. It also supports the work for appointments to the department's boards and commissions.
- The Environmental Assistance Office is a non-regulatory service of the department providing business owners, local governments, and the general public with technical, managerial, and financial planning assistance for pollution control and prevention.
- The Community Assistance Office serves as a portal or link between the public and the department's financial and technical services and provides community planning assistance.
- The St. Louis and Kansas City Urban Outreach Offices serve as local portals for department services and provide outreach and assistance specific to the metropolitan areas. The Kansas City Urban Outreach Office is occupied jointly with the Department of Conservation in the Kansas City Discovery Center.
- The Fiscal and Administrative Services Office provides financial, administrative, and computer support to the Outreach and Assistance Center.

#### **Fiscal Year 2005 Governor's Recommendations**

- \$84,483 for pay plan, including \$29,558 general revenue.
- (\$735,026) and (.07) staff in core reduction from the Fiscal Year 2004 appropriation level, including (\$2,931) general revenue.
- (\$305,000) other funds for one-time expenditures.

### **ENVIRONMENTAL IMPROVEMENT AND ENERGY RESOURCES AUTHORITY**

The Environmental Improvement and Energy Resources Authority (EIERA), under Chapter 260, RSMo, is an independent, self-supporting, quasi-governmental agency assigned to the Missouri Department of Natural Resources.

Due to the special independent status as "a body corporate and politic," the authority is able to issue tax-exempt bonds and utilize fees charged for issuance of its bonds and notes. The authority is empowered to conduct environmental and energy research and development activities; develop alternative methods of financing environmental and energy projects; and assist Missouri communities, organizations, and businesses in obtaining low-cost funds and other financial assistance for projects related to the authority purpose.

#### **Fiscal Year 2005 Governor's Recommendations**

Continue funding at current level.

**DEPARTMENT OF NATURAL RESOURCES  
DIVISION OF STATE PARKS**

**FINANCIAL SUMMARY**

	FY 2003 EXPENDITURE	FY 2004 APPROPRIATION	FY 2005 REQUEST	GOVERNOR RECOMMENDS FY 2005
<b>PERSONAL SERVICE</b>				
Federal Funds	\$ 74,729	\$ 113,130	\$ 113,130	\$ 115,393
State Park Earnings Fund	852,117	920,411	883,221	900,884
DNR Cost Allocation Fund	1,093,598	1,116,926	1,116,926	1,139,267
State Facility Maintenance and Operation Fund	202,279	260,381	234,674	244,364
Parks Sales Tax Fund	17,551,654	18,625,693	18,767,086	19,463,152
Meramec-Onondaga State Parks Fund	9,551	10,893	10,893	11,555
Babler State Park Fund	93,618	209,789	50,988	54,088
<b>EXPENSE AND EQUIPMENT</b>				
Federal Funds	129,155	226,148	226,148	226,148
State Park Earnings Fund	3,026,503	4,359,396	4,359,396	4,359,396
DNR Cost Allocation Fund	70,848	146,229	146,229	146,229
State Facility Maintenance and Operation Fund	107,925	111,327	111,327	111,327
Parks Sales Tax Fund	5,389,690	7,508,373	7,431,151	7,431,151
Meramec-Onondaga State Parks Fund	2,820	5,600	5,600	5,600
Babler State Park Fund	51,735	106,579	106,579	106,579
<b>PROGRAM SPECIFIC DISTRIBUTION</b>				
Federal Funds	1,230,690	2,324,034	2,324,034	2,324,034
State Park Earnings Fund	0	65,290	65,290	65,290
Parks Sales Tax Fund	100,000	100,000	100,000	100,000
<b>TOTAL</b>	<b>\$ 29,986,912</b>	<b>\$ 36,210,199</b>	<b>\$ 36,052,672</b>	<b>\$ 36,804,457</b>
Federal Funds	1,434,574	2,663,312	2,663,312	2,665,575
State Park Earnings Fund	3,878,620	5,345,097	5,307,907	5,325,570
DNR Cost Allocation Fund	1,164,446	1,263,155	1,263,155	1,285,496
State Facility Maintenance and Operation Fund	310,204	371,708	346,001	355,691
Parks Sales Tax Fund	23,041,344	26,234,066	26,298,237	26,994,303
Meramec-Onondaga State Parks Fund	12,371	16,493	16,493	17,155
Babler State Park Fund	145,353	316,368	157,567	160,667
<b>Full-time equivalent employees</b>				
	<b>750.69</b>	<b>760.02</b>	<b>757.70</b>	<b>757.70</b>

## **DEPARTMENT OF NATURAL RESOURCES**

### **DIVISION OF STATE PARKS**

The Division of State Parks manages the many recreational, cultural, and historical resources of the Missouri state parks system. The division also administers programs to promote outdoor recreation statewide.

Missouri's state parks system consists of 83 state parks and historic sites covering over 140,000 acres and includes 3,621 campsites, 139 rental cabins, 5 motels, 292 group camp buildings, and other office buildings. The system is divided into five field district offices, with each of the district headquarters reporting to the Central Office in Jefferson City. Administrative, maintenance, and service personnel manage the lands and improvements, provide recreational and educational programs for visitors, and provide necessary law enforcement. Funding provided by the one-tenth of one percent parks and soils sales tax has been used for projects such as campground remodeling; the addition of shower houses and restrooms; paving of roads within campgrounds; restoration of landscapes; and additional personnel for maintenance, education, and site interpretation. The parks and soils sales tax provides continued restoration and improvement of the state parks system and allows division staff to better serve the over 17 million people who visit parks and historic sites each year.

Central Office administration directs and coordinates the management of the state parks system. Responsibilities include personnel management, budget and policy development, and the evaluation of management procedures and performance. Central Office staff provide logistical support to the individual state parks; supervise the grounds maintenance of the State Capitol Complex; and operate the central sign shop, central warehouse, and aerial device unit. Staff also identify unique natural areas which may require protection; conduct special studies related to parks operations and development; and prepare site, architectural, and engineering plans and maps.

The division assists the State Inter-Agency Council for Outdoor Recreation in the administration of grants that finance outdoor recreation projects. The division also provides assistance to the Lewis and Clark Bicentennial Commission in the administration of grants to local communities preparing for the upcoming commemoration of the "Corps of Discovery."

#### **Fiscal Year 2005 Governor's Recommendations**

- \$751,785 federal and other funds for pay plan.
- (\$80,305) other funds and (2.32) staff in core reduction from the Fiscal Year 2004 appropriation level.
- (\$77,222) other funds for one-time expenditures.

## DEPARTMENT OF NATURAL RESOURCES

### GEOLOGICAL SURVEY AND RESOURCE ASSESSMENT DIVISION

The Geological Survey and Resource Assessment Division's main offices are in Rolla, Missouri. The mission of this division is to investigate the state's geology and apply technical knowledge to both economic and environmental decisions; to determine the character and availability of the state's water, energy and mineral resources; to restore and maintain the original land survey monuments and maintain a repository of land survey records; to enforce the state's dam and reservoir safety laws, including the well driller's law; and to distribute technical information. The division's work focuses on those areas where Missourians are best served by sound environmental science. As a result of Fiscal Year 2004 core reductions, the division's Dam Safety Program has been combined with the division's Water Resources Program.

Geological Survey Program – The Geological Survey Program provides a wide variety of geological activities that assist citizens, industry, academia, and government. The program works closely with other environmental regulatory programs to evaluate geologic conditions where geologic information is essential for proper environmental planning and decision making. The program also regulates all well drilling activities in Missouri, permitting well drillers, certifying proper construction of new wells, and registering the proper abandonment of old wells. Geologic mapping, mineral resource assessments, and geologic and earthquake hazard evaluations are other program activities.

Water Resources Program – Program staff provides information for Missouri's comprehensive water needs by examining surface water and groundwater resource use and availability and are responsible for protecting the lives and property of Missourians that live below the approximately 640 dams that they regulate. Hydrologists and geologists study our water resources to help prevent contamination and to develop water supplies for use. The program maintains a statewide aquifer-monitoring network with real time water quantity data. They also analyze surface water flow data to help the state plan for flood and drought conditions. Under the authority of the Dam and Reservoir Safety Council, engineers review permit applications for new and existing dams, conduct field visits to be sure that construction is in compliance with engineering plans, and make every effort to ensure dams are safe. As a result of the Fiscal Year 2004 general revenue core reductions, the department is no longer conducting permit renewal inspections of the dams. Those inspections will be the responsibility of the dam owner and they will need to hire a professional engineer to conduct the inspection and submit the report to the Water Resources Program. Emergency assistance is provided when a major flood or seismic event occurs. The program holds strong representation on numerous interstate and interagency river basin associations for negotiations, reviews, and decision-making purposes to defend the state's water resources. The State Water Plan is the responsibility of this program.

Land Survey Program – Since the inception of the Land Survey Program in 1969, Missouri has experienced a reversal in the trend of lost and destroyed land corners of the United States Public Land Survey System (USPLSS). The program works with private surveyors, county surveyors, staff, and county commissions to maintain the state's USPLSS that serves as the framework for the determination of all property boundaries in the state. The program manages and maintains a statewide repository of land records. Approximately 1.8 million land survey documents and geodetic data are available for the entire state. The public can order the information through the repository on hard copy or in digital format. The information is also available for viewing from the original land survey field books and plats made by the general land office when the state was first surveyed. All these land survey records are stored in a vault in Rolla. The program maintains a statewide geographic reference system, consisting of 13,000 survey monuments.

Administration - This section supports the division with budget, personnel, and other financial matters. Information sales and distribution and database management are the responsibility of this program. Building maintenance, computer support, and division management are in this program. The division director serves as Missouri's State Geologist and serves on several boards and commissions.

### Fiscal Year 2005 Governor's Recommendations

- \$1,156,731 other funds and 21.22 staff to continue operations of the water resource program using fees.
- \$685,757 other funds and 15.08 staff to continue operations of the geological survey program using fees.
- \$534,743 other funds and 12.74 staff to continue geological administration and support operations using fees.
- \$91,414 for pay plan, including \$39,516 general revenue.
- (\$113,702) and (3.08) staff in core reductions from the Fiscal Year 2004 appropriation level, including (\$36,085) general revenue.

**DEPARTMENT OF NATURAL RESOURCES  
ENVIRONMENTAL PROGRAMS**

**FINANCIAL SUMMARY**

	FY 2003 EXPENDITURE	FY 2004 APPROPRIATION	FY 2005 REQUEST	GOVERNOR RECOMMENDS FY 2005
Water Protection and Soil Conservation	\$ 20,018,471	\$ 24,462,281	\$ 24,162,128	\$ 24,599,590
Air and Land Protection	20,522,097	23,652,934	23,489,681	23,771,355
Inspection/Maintenance	690,257	2,068,447	1,438,447	1,454,783
Environmental Finance Support	44,542,194	182,733,289	182,733,289	182,733,289
<b>DIVISIONAL TOTAL</b>	<b>\$ 85,773,019</b>	<b>\$ 232,916,951</b>	<b>\$ 231,823,545</b>	<b>\$ 232,559,017</b>
<b>PERSONAL SERVICE</b>				
General Revenue Fund	4,050,885	3,144,794	3,081,031	2,821,797
Federal Funds	10,440,582	10,994,809	10,832,156	11,048,793
Solid Waste Management Fund	1,542,888	1,912,077	1,893,004	2,215,839
NRPF - Air Pollution Permit Fee Subaccount	3,739,955	4,095,523	4,070,591	4,152,003
Petroleum Storage Tank Insurance Fund	951,965	1,064,286	1,064,286	1,085,572
Soil and Water Sales Tax Fund	1,679,670	1,998,022	1,995,632	2,035,545
Missouri Air Pollution Control Fund	9,359	42,512	42,512	43,362
Hazardous Waste Remedial Fund	727,625	756,811	745,984	760,905
Other Funds	9,068,614	9,852,916	9,708,896	9,947,526
<b>EXPENSE AND EQUIPMENT</b>				
General Revenue Fund	468,445	479,810	479,810	466,374
Federal Funds	4,484,492	11,290,140	10,657,729	10,657,729
Solid Waste Management Fund	205,631	327,089	327,089	398,547
NRPF - Air Pollution Permit Fee Subaccount	943,918	1,425,994	1,425,994	1,425,994
Soil and Water Sales Tax Fund	1,017,618	1,094,846	1,094,846	1,094,846
Petroleum Storage Tank Insurance Fund	170,191	207,974	207,974	207,974
Water and Wastewater Loan Fund	1,380	3	3	3
Hazardous Waste Remedial Fund	120,813	297,676	297,676	297,676
Missouri Air Pollution Control Fund	0	6,496	6,496	6,496
Other Funds	3,322,839	8,656,612	8,623,275	8,623,475
<b>PROGRAM SPECIFIC DISTRIBUTION</b>				
General Revenue Fund	362,165	6,509	6,509	6,509
Federal Funds	5,957,306	12,144,192	12,144,192	12,144,192
Solid Waste Management Fund	155,412	6,299,986	6,299,986	6,299,986
NRPF - Air Pollution Permit Fee Subaccount	1,786,817	2,027,000	2,027,000	2,027,000
Water and Wastewater Loan Revolving Fund	4,650,000	24,000,000	24,000,000	24,000,000
Soil and Water Sales Tax Fund	24,680,962	35,518,192	35,518,192	35,518,192
Water and Wastewater Loan Fund	1,308,027	50,000,000	50,000,000	50,000,000
Hazardous Waste Remedial Fund	0	15,638	15,638	15,638
Other Funds	3,925,460	45,257,044	45,257,044	45,257,044
<b>TOTAL</b>	<b>\$ 85,773,019</b>	<b>\$ 232,916,951</b>	<b>\$ 231,823,545</b>	<b>\$ 232,559,017</b>
General Revenue Fund	4,881,495	3,631,113	3,567,350	3,294,680
Federal Funds	20,882,380	34,429,141	33,634,077	33,850,714
Solid Waste Management Fund	1,903,931	8,539,152	8,520,079	8,914,372
Petroleum Storage Tank Insurance Fund	1,122,156	1,272,260	1,272,260	1,293,546
NRPF - Air Pollution Permit Fee Subaccount	6,470,690	7,548,517	7,523,585	7,604,997
Water and Wastewater Loan Revolving Fund	4,650,000	24,000,000	24,000,000	24,000,000
Soil and Water Sales Tax Fund	27,378,250	38,611,060	38,608,670	38,648,583
Water and Wastewater Loan Fund	1,309,407	50,000,003	50,000,003	50,000,003
Hazardous Waste Remedial Fund	848,438	1,070,125	1,059,298	1,074,219
Missouri Air Pollution Control Fund	9,359	49,008	49,008	49,858
Other Funds	16,316,913	63,766,572	63,589,215	63,828,045
<b>Full-time equivalent employees</b>	<b>910.56</b>	<b>914.99</b>	<b>904.46</b>	<b>904.98</b>

## DEPARTMENT OF NATURAL RESOURCES

### ENVIRONMENTAL PROGRAMS

The Department of Natural Resources reorganized in Fiscal Year 2003. The Division of Environmental Quality was eliminated and replaced with two new divisions. The Water Protection and Soil Conservation Division was created to focus on specific environmental issues dealing with water pollution, public drinking water, and soil and water conservation. The Air and Land Protection Division was created to focus on specific issues dealing with air pollution, solid waste management, hazardous waste, and land reclamation.

#### WATER PROTECTION AND SOIL CONSERVATION DIVISION

The Water Protection and Soil Conservation Division oversees the state's environmental programs in the areas of wastewater, drinking water, and soil conservation. Structurally, there are three programs, five regional offices, seven satellite offices, and an administrative unit. These functional components are responsible for implementing and enforcing state and federal environmental statutes and programs.

Water Pollution Control Program – The Water Pollution Control Program implements state laws, regulations, and policies developed by the Clean Water Commission to maintain and improve water quality. The staff provides administrative and technical assistance to the commission, issues and monitors wastewater discharge permits, reviews engineering plans and specifications for new facilities, enforces state water quality regulations, trains wastewater treatment plant operators, and administers grants and loans for the construction of wastewater treatment facilities.

Public Drinking Water Program – The Public Drinking Water Program strives to ensure that the public receives drinking water that is free from harmful levels of contaminants. The staff evaluates and records water sample data to provide early detection of health problems, maintains historical records of water quality analyses and trends, and reviews engineering plans for water treatment facilities. The program administers grants to small communities to partially fund the construction of water supply systems. The Department of Health and Senior Services assists the program to protect public health by conducting bacteriological laboratory analyses.

Soil and Water Conservation Program – The Soil and Water Conservation Program implements the policies of the Soil and Water Districts Commission. Staff assists Missouri's soil and water conservation districts and administers several soil conservation programs funded by one-half of the one-tenth of one percent sales tax renewed by Missouri voters in November 1996.

Sales tax funded programs include: state cost-share grants for 50-75 percent of farmers' costs of approved soil conservation practices, low-interest loans for conservation practices and equipment, grants to local districts for administrative expenses and technical assistance, special incentives for intensive conservation measures in specified areas, and grants for research on soil conservation problems. These programs represent a significant investment by all Missourians in the long-term productivity of our most basic resource, the soil. Sales tax funds also are used to accelerate soil survey mapping efforts to provide factual information on Missouri soils.

Regional Offices – The department has regulatory authority over facilities located throughout the state. Regional and satellite offices have provided compliance oversight to ensure the environment and citizens' health and safety are protected. Staff typically completes over 15,000 inspections, over 4,000 complaint investigations, and over 5,000 permit application renewals/issuances. The five regional offices are located in Kansas City, Macon, Poplar Bluff, Springfield, and St. Louis. As a result of Fiscal Year 2004 core reductions, the Jefferson City regional office was closed. Staff from other offices have assumed the responsibilities of that office. The regional offices provide a departmental field presence rather than the traditional single division presence. This allows other department staff to co-locate in the regional office locations, and provides better, coordinated services outside the Jefferson City area.

Administration – Division administrative staff are responsible for providing overall policy, fiscal discretion, guidance, and support services to the direct programs and five regional offices; reviewing program reports; and representing the programs and commissions at departmental, state, and federal meetings. The administrative staff also maintains a divisional management system to identify and address environmental issues.

#### Fiscal Year 2005 Governor's Recommendations

- \$341,252 other funds and 7.63 staff to continue operations of the solid waste program using fees.
- \$314,620 for pay plan, including \$51,715 general revenue.
- (\$461,113) and (11.21) staff in core reductions from the Fiscal Year 2004 appropriation level, including (\$282,173) general revenue.
- (\$35,748) federal funds for one-time expenditures.
- (\$21,702) and (.45) staff reallocated to the Air and Land Protection Division.

## DEPARTMENT OF NATURAL RESOURCES

### AIR AND LAND PROTECTION DIVISION

The Air and Land Protection Division oversees the state's environmental programs in the areas of air pollution control, hazardous waste management, solid waste management, mining reclamation, and the Environmental Services Program (ESP), which consists of the environmental laboratory and emergency response. Structurally, there are five programs and an administrative unit. These six functional components are responsible for implementing and enforcing state and federal environmental statutes and programs.

Air Pollution Control Program – The Air Pollution Control Program provides staff support to the Air Conservation Commission, which is responsible for developing policies to maintain and enhance the state's air quality. Staff coordinates air pollution control activities among other programs in the division and with local air pollution control agencies. In addition, staff updates the state implementation plan, evaluates air quality data to determine the need for air pollution control, and implements a vehicle emissions inspection/maintenance program in the St. Louis area. Staff also inspects air pollution sources to determine compliance with regulations, provides needed technical assistance, evaluates permit applications, and controls equipment to ensure compliance with state air quality standards.

Hazardous Waste Management Program – State law requires oversight of hazardous waste practices from the point of generation through final disposal. Hazardous waste generators are required to register with the Hazardous Waste Management Program and the movement of waste is tracked through a manifest and quarterly reporting system. These systems allow the program to identify the amount and types of waste, which are generated, stored, containerized, transported off-site, and treated or disposed of so it can detect any illegal or improper handling of waste which may threaten public health or the environment.

The Hazardous Waste Management Program also uses several means to solve problems at abandoned or uncontrolled hazardous waste sites including preliminary assessments, site investigations, feasibility studies, remedial investigations, interim remedial measures, immediate removals, and long-term or final remedial actions. The various steps of cleaning up a hazardous waste site may be conducted in coordination with the U.S. Environmental Protection Agency, solely by the state, or by the responsible party with state oversight.

Solid Waste Management Program – The Solid Waste Management Program protects public health and the environment by requiring proper management of solid waste. This is accomplished by encouraging waste reduction, reuse, recycling, energy recovery, improved processing, and proper disposal. The implementation of alternatives to landfills will eliminate the potential shortage of landfill capacity and encourage a better use of our natural resources. By effectively regulating solid waste facilities and requiring implementation of solid waste management plans, water pollution, and air pollution, the transmission of disease can be prevented.

Land Reclamation Program – The Land Reclamation Program provides staff support and technical assistance to the Land Reclamation Commission. The commission regulates the mining of coal and other mineral commodities, which include barite, tar sands, clay, limestone, sand, and gravel, and provides for the reclamation of mined lands. Staff review mining and reclamation plans, issue permits that require security bonds for the reclamation of mined lands, and inspect sites for reclamation performance. Other program staff inventory abandoned mine lands, assessing their health and pollution problems, and establish priorities for the reclamation of these abandoned mined lands. The Fiscal Year 2004 and 2005 core budgets do not include funding or staff for active coal mines. At this time, Missouri does not conduct permitting, inspection, and bond release activities at coal mines.

Environmental Services Program – The Environmental Services Program coordinates state, federal, and local efforts during environmental emergencies and ensures that the emergency is brought to a safe and environmentally sound conclusion. The staff investigates petroleum leaks from underground storage tanks and laboratory analyses in support of the ESP's responsibilities, as well as in support of the other programs within the division.

Administration – Division administrative staff coordinates program activities, analyzes personnel procedures, coordinates budget preparation, reviews and implements legislation, reviews program reports, and represents the programs and commissions at departmental, state, and federal meetings. The administrative staff also maintains a divisional management system to identify and address environmental issues.

### **Fiscal Year 2005 Governor's Recommendations**

- \$57,764 other funds and .96 staff to continue operations of land fill monitoring activities using fees.
- \$333,499 for pay plan, including \$3,614 general revenue.
- \$21,702 and .45 staff reallocated from the Water Protection and Soil Conservation Division.
- (\$294,544) and (7.39) staff in core reductions from the Fiscal Year 2004 appropriation level, including (\$109,589) general revenue.

## **DEPARTMENT OF NATURAL RESOURCES**

### **INSPECTION/MAINTENANCE**

The Gateway Clean Air Program is part of Missouri's continuing efforts to improve the air quality in the St. Louis area. A major component of the program is the enhanced vehicle emissions test. The emissions test uses state-of-the-art technology and is designed to identify the total amount of emissions generated by today's computer-controlled vehicles under normal driving conditions. The outcome will be cleaner cars on the road and cleaner air to breathe.

#### **Fiscal Year 2005 Governor's Recommendations**

- \$16,336 other funds for pay plan.
- (\$630,000) federal funds core reduction from the Fiscal Year 2004 appropriation level.

### **ENVIRONMENTAL FINANCE SUPPORT PROGRAM**

The department continues to provide various pass-through funds for local governments and others to address air pollution, provide for the cleanup of abandoned and uncontrolled hazardous waste sites as well as reclamation of mined sites, monitoring and testing of drinking water supplies, and providing infrastructure funds for drinking water and wastewater facilities.

#### **Fiscal Year 2005 Governor's Recommendations**

Continue current funding levels.



# OFFICE OF ADMINISTRATION

## FINANCIAL SUMMARY

	FY 2003 EXPENDITURE	FY 2004 APPROPRIATION	FY 2005 REQUEST	GOVERNOR RECOMMENDS FY 2005
Commissioner's Office	\$ 2,873,996	\$ 2,608,348	\$ 2,556,028	\$ 2,596,372
Division of Accounting	2,127,759	2,107,302	2,066,586	2,102,901
Division of Budget and Planning	1,596,918	1,594,270	1,702,800	1,730,426
Division of Information Services	5,649,363	6,718,505	6,718,505	6,750,975
Division of Design and Construction	1,775,290	1,675,345	1,646,761	1,675,354
Division of Personnel	3,056,894	2,885,861	2,744,963	2,792,771
Division of Purchasing and Materials Management	4,419,658	4,971,982	3,972,475	4,020,400
Division of Facilities Management	21,413,921	21,480,436	22,490,216	22,465,328
Division of General Services	1,419,307	2,046,782	2,046,782	2,069,695
Assigned Programs	5,009,052	22,388,366	14,976,623	15,002,447
Debt and Related Obligations	49,870,361	54,902,425	57,991,483	57,991,483
Administrative Disbursements	79,360,539	52,125,667	54,097,284	54,097,283
<b>TOTAL</b>	<b>\$ 178,573,058</b>	<b>\$ 175,505,289</b>	<b>\$ 173,010,506</b>	<b>\$ 173,295,435</b>
General Revenue Fund	136,087,137	147,521,674	153,764,375	154,006,559
Federal Funds	4,602,910	19,952,464	9,555,134	9,567,057
Other Funds	37,883,011	8,031,151	9,690,997	9,721,819
<b>Full-time equivalent employees</b>	<b>962.26</b>	<b>966.67</b>	<b>942.47</b>	<b>942.47</b>

\* Does not include \$5,722,000 recommended in the Fiscal Year 2004 Supplemental Appropriations, including \$5,715,000 general revenue. See the Supplemental section of the Missouri Budget for details regarding Office of Administration supplemental appropriations.

## POLICY SUMMARY

Governor Holden's budget for Fiscal Year 2005 provides a total of \$173.3 million for the Office of Administration. The Office of Administration provides services for all state agencies and serves as the state's administrative office. The core functions provided by the Office of Administration include:

- Administering fiscal activities for the state.
- Administering the human resources system.
- Coordinating data processing and telecommunications for state agencies.
- Providing and maintaining office and other space for governmental operations.
- Procuring supplies, equipment, and services for state agencies.
- Managing the state transportation fleet.

Following are some performance measures the Office Administration uses to evaluate its leadership in administering state operations:

	2001	2002	2003
Cost of mail services per piece	\$0.488	\$0.509	\$0.480
Days from application to placement on job register (without exam)	22	12	15
Days from application to placement on job register (with exam)	37	24	23
Days to process purchasing bids	88	74	53
Percentage of minority state employees earning in the top quartile	4.10%	3.90%	6.05%
Percentage of female employees earning in top quartile	35.80%	34.90%	34.40%
Percentage of state government purchases from minorities	5.63%	5.37%	6.29%
Percentage of state government purchases from women	5.24%	3.85%	3.63%

## **OFFICE OF ADMINISTRATION**

### **POLICY SUMMARY (Continued)**

#### **State Employee Compensation**

The state of Missouri competes for qualified, high performing employees at all levels of government. This becomes increasingly difficult when salary levels stagnate. Because of the poor economy and associated devastating budget reductions that have occurred across Missouri state government, only one small pay increase has been funded over the last three years. A system-wide cost-of-living adjustment has not been made to employee salaries since Fiscal Year 2001, while Missouri personal income has increased by nearly nine percent. Only one of Missouri's eight contiguous states (Oklahoma) has not provided state employees pay increases in the past two years. Through these tough budget times, state employees have remained dedicated to providing critical services for Missouri citizens. Although resources remain limited in Fiscal Year 2005, Governor Holden recommends a two percent cost-of-living increase for all state employees and additional increases for certain critical job classes.

Census data from 2002 show that Missouri ranks 49<sup>th</sup> in average state employee salaries. In Fiscal Year 2003, more than 80 percent of state employee salaries were below the market rate. Successive years without increases for experienced employees has resulted in a compression of the majority of state workers in the lower pay steps on each range. Consequently, it is becoming increasingly difficult to fill vacancies and keep employees, especially in certain critical job classes. For example, the turnover rate for nursing positions ranges from 20 to over 50 percent. The turnover rate for psychiatric aides in the state's mental health facilities is about 20 percent. Around one-fourth of all youth specialists working with juvenile offenders leave each year, and the turnover rate for corrections officers is 17 percent. Every year, 15 to 20 percent of social service workers leave. High turnover rates cost Missouri taxpayers, due to increased training and overtime for remaining staff, and reduce the overall effectiveness and efficiency of state government.

To maintain a high-performing state workforce, the Governor recommends:

- \$46.2 million, including \$23.9 million general revenue, for a two percent cost-of-living increase for all employees, including related fringe benefits. The cost of the pay plan without accompanying fringe benefits is \$39.5 million, including \$20.1 million general revenue.
- \$19.4 million, including \$15.6 million general revenue, for increases to certain critical classes, including related fringe benefits. The cost of the increases without accompanying fringe benefits is \$16.5 million, including \$13.2 million general revenue.

#### **Implementing Legislation**

The Office of Administration combines and coordinates the central management functions of state government. It is the central state agency responsible for promoting government accountability, effectiveness, and efficiency. Strategic planning, establishing goals, and using measurable outcomes are tools used by the Governor to aid in making policy decisions and for directing agencies' efforts. To promote government accountability and to implement legislation during Fiscal Year 2005, Governor Holden recommends:

- \$3,884,001 for transfers to the state election subsidy fund and the election administration improvements fund as required by HB 511 (2003).
- \$108,530 for the Division of Budget and Planning to fulfill the requirements as outlined by SB 299 (2003) to implement an expanded performance-based budgeting system.
- \$41,693 for the Division of Purchasing and Materials Management to implement the tax compliance mandates of HB 600 (2003).

#### **Achieving Administrative Efficiencies Across State Government**

Missouri has always been a low tax state and has, therefore, provided only essential services at a very low cost. The state's already low tax level combined with two consecutive years of declining revenue have led to significant reductions in many programs. However, under Governor Holden's leadership, state agencies have minimized the negative impact on services by dramatically reducing administrative costs and by developing ways to provide remaining services in the most efficient way possible.

As the state's primary provider of administrative services, the Office of Administration has the unique responsibility to increase management efficiencies and generate cost savings throughout state government. The Office of Administration has worked aggressively to improve the services it provides, and is spearheading several cost-saving efforts. These efforts have become more critical to assist all the departments as they struggle to provide essential services with dramatically reduced administrative budgets.

**Spend Management** -- The Office of Administration has negotiated a contract with a firm that specializes in reducing procurement spending. The contract guarantees savings of at least twice the cost of the services provided, and the contractor projects annual savings of between \$6 and \$9 million, all funds, in the first year. Additional savings are expected in future years. The effort is two-pronged -- make sure the state is getting the best price possible and buy only what is actually needed. The Office of Administration will adopt cutting-edge RFP (Request for Proposal) processes that create greater opportunity for negotiations and effectively use the buying power of the state. Processes will include target pricing, identifying when the state is overpaying, negotiating with suppliers, performing reverse auctions, benchmarking prices, reworking specifications for goods to group similar commodities, and using more detailed and aggressive bid processes. This effort will allow departments to effectively operate despite large cuts in their Fiscal Year 2004 budgets.

## OFFICE OF ADMINISTRATION

### POLICY SUMMARY (Continued)

Responsible Debt Management – The state of Missouri is one of only seven states in the nation that have received the highest, “Triple A”, bond rating from Moody’s Investors Service, Standard and Poor’s Corporation, and Fitch Ratings. Maintaining a high rating is important because it saves taxpayers money. The Office of Administration also strives to keep borrowing costs as low as possible by refinancing debt when market conditions warrant. Over the last two fiscal years, the Office of Administration saved over \$69 million by refinancing several bonds. To continue achieving savings, the Governor recommends \$200,000 in Fiscal Year 2005 to allow the Division of Accounting to implement a debt management program. These funds will allow the use of outside consultants to monitor the state’s debt and act quickly to save money.

Saving Mailing Costs – In Fiscal Year 2002, an estimated 59 million pieces of mail were processed statewide, at a cost of \$14.5 million in Jefferson City alone. An interagency mail services project team has identified ways to reduce postage costs, reduce mail volume, and increase operational efficiencies. The team’s recommendations include technology upgrades, sharing best practices, and increase use of the state mail contract for certain mailings. Savings are anticipated to be \$1.9 million, all funds, and will allow agencies to manage despite reductions to their expense budgets.

Telecommunications Savings – Statewide, the budget for telecommunications services is about \$35 million. Representatives from Southwestern Bell and MOREnet joined team members from the Office of Administration and the Departments of Mental Health and Corrections to lower telecommunications costs. Team recommendations include developing audit guidelines to help agencies assess their current services, factor actual telecommunications costs into evaluation criteria for state leased facilities, and amend purchasing contracts to allow for extended terms and more negotiations. The estimated cost savings over the next several years could be more than \$3 million, all funds.

Vehicle Fleet Management – Following the directive of Governor Holden, the state has reduced its passenger vehicle fleet by 960 vehicles since 2002. Work will continue to reduce the size of the state’s vehicle fleet, with a reduction of under-used vehicles identified by fleet system data. Controlling the future growth of the state fleet is also important. A new vehicle pre-approval process was recently implemented to control the size of the state passenger vehicle fleet and ensure existing vehicles are used to the fullest extent possible. The State Fleet Manager now pre-approves all new and used vehicle purchases, excluding law enforcement vehicles. Agencies must now comply with the revised State Vehicle Policy before purchasing vehicles. Research is also underway to determine options to reduce maintenance and repair expenditures for state vehicles. These efforts have reduced the fleet size by nearly 20 percent.

A new initiative calls for an initial reduction of 25 percent of vehicles traveling less than 5,000 miles per year. The vast majority of these vehicles are special function vehicles such as mail delivery and facility support vehicles. If successful, this should result in a further reduction of 154 vehicles from the fleet.

Information Technology Consolidation – Efforts continue to effectively manage the state’s information technology (IT) investments and operations. The Office of Information Technology has completed an inventory of the state’s hardware and software assets and an analysis of the state’s annual IT expenditures. In addition, a standard method of accounting for IT costs has been implemented to better track expenditures.

An interagency review committee has recommended that the state move to a single infrastructure for e-mail systems. Not only are the multiple existing products more expensive than a single system, but also their use is cumbersome and makes it difficult to manage the state’s electronic security. The Governor has directed the Chief Information Officer to work with the Office of Administration, Division of Information Technology, and other IT agencies to adopt a centralized e-mail system. Savings will be generated by using the state’s purchasing power to get the best deal on hardware and software and by only training employees to use one system. Staff now working on maintaining these multiple systems can be redirected to other critical needs.

Savings will be redirected toward reengineering and consolidating business processes to eliminate duplicate systems, and improving the state’s IT infrastructure to take advantage of other cost-saving mergers. Other IT operations being evaluated for future consolidation include servers, network management, and PC administration and support.

Other savings across all funds that the Office of Administration has realized include:

- Moving injured workers back to work more quickly, saving \$2.2 million in workers’ compensation costs, annually.
- Reducing rental costs for state offices by consolidating space and relocating programs into state-owned buildings, generating savings of over \$1 million.
- Creating the property preservation fund authorized by SB 243 (2003), allowing the state to assume liability for property damages for an annual savings of approximately \$1 million in insurance costs.
- Reducing utility bills through energy conservation, saving approximately \$465,000.
- Using technology to reduce costs for all state departments. Internet service rates for agencies were reduced 27 percent for Fiscal Year 2004, and mainframe-processing charges are down 42 percent from 2001 rates.

## OFFICE OF ADMINISTRATION

### POLICY SUMMARY (Continued)

#### Cuts Already Made

Due to reduced funding, the Office of Administration has worked to streamline processes and discontinue functions of lesser importance. Nearly every function performed by the Office of Administration has been affected in some manner. For example, there are delays in processing information technology bids, reviews of job classifications take longer, and backlogs are accumulating in basic functions such as canceling checks and processing workers' compensation claims. Since Fiscal Year 2001, the department's general revenue has been reduced by 23 percent and its general revenue funded staff has been cut by 25 percent. Additional examples of the impact of these reductions include:

- The Division of Accounting no longer performs audits of expenditures before they are paid. Responsibility for compliance with state spending laws and rules now resides with the departments.
- The Office of Administration no longer responds to emergency procurement needs related to the state's two main financial and payroll processing systems. Also, the state cannot move forward with new developments of the systems that would improve efficiency across state government agencies.
- Some merit testing opportunities have been eliminated around the state, delaying the addition of applicants to job registers. This means that it takes longer for agencies to fill critical vacancies.
- Outreach services to political subdivisions for the cooperative procurement program have been eliminated. This program helped local governments save money on their purchases.

## **OFFICE OF ADMINISTRATION**

### **COMMISSIONER'S OFFICE**

The Commissioner directs the one agency that provides central services and support to all other agencies of state government. These services include accounting, budget and planning, information services, building design and construction, leasing operations, facilities management, personnel, purchasing, and general services.

#### **Fiscal Year 2005 Governor's Recommendations**

- \$42,144 for pay plan, including \$41,360 general revenue.
- (\$54,120) and (one) staff core reduction from the Fiscal Year 2004 appropriation level.

### **DIVISION OF ACCOUNTING**

The Division of Accounting maintains all financial records for state appropriations and funds, processes payments, controls production of warrants, and distributes checks. The division also issues warrants to the State Treasurer for expenditures; maintains computerized accounting, payroll, and check writing systems; and administers the Social Security Act for the state and political subdivisions. The division also provides financial data to executive and legislative officials.

#### **Fiscal Year 2005 Governor's Recommendations**

- \$37,081 for pay plan.
- (\$41,482) and (one) staff core reduction from the Fiscal Year 2004 appropriation level.

### **DIVISION OF BUDGET AND PLANNING**

The Division of Budget and Planning analyzes state government programs and provides recommendations and information to the Governor, General Assembly, and state agencies regarding fiscal and other policies. The division prepares the budget instructions, reviews all agency budget requests, makes funding recommendations to the Governor, prepares the annual executive budget, analyzes economic and demographic conditions, forecasts state revenues, and conducts technical policy and program analyses. To assist in state government management, the division controls appropriation allotments, prepares legislative fiscal notes, evaluates programs, analyzes and develops policy options, and coordinates programs among agencies. The division prepares population estimates and projections required by state and local agencies and is Missouri's liaison to the United States Bureau of the Census. In addition, the division uses federal grant funds for applied research in policy areas of statewide concern.

#### **Fiscal Year 2005 Governor's Recommendations**

- \$108,530 and two staff to implement the performance-based budgeting requirements of SB 299 (2003).
- \$28,252 for pay plan.
- (\$626) core reduction from the Fiscal Year 2004 appropriation level.

### **DIVISION OF INFORMATION SERVICES**

The Division of Information Services provides centralized computer processing services through the State Data Center (SDC), reviews departmental data processing plans, and manages the state telephone network. The division also approves the acquisition and disposition of computer equipment, provides procurement assistance to other state agencies, and provides data processing training for state employees.

This section provides mainframe computer processing services to the Office of Administration and other state agencies, including the Secretary of State and the Departments of Revenue, Mental Health, Natural Resources, Insurance, Economic Development, Transportation, Social Services, Health, Labor and Industrial Relations, and the State Highway Patrol.

#### **Fiscal Year 2005 Governor's Recommendations**

- \$44,149 for pay plan.
- (\$11,679) and (6.75) staff core reduction from the Fiscal Year 2004 appropriation level.

## **OFFICE OF ADMINISTRATION**

### **DIVISION OF DESIGN AND CONSTRUCTION**

The division reviews plans and specifications for state construction, maintenance, and repair projects; selects contracting architects and engineers; oversees capital improvements expenditures; provides information for the preparation of the capital improvements budget; and assists state agencies and institutions with building and renovation problems.

#### **Fiscal Year 2005 Governor's Recommendations**

- \$29,554 for pay plan.
- (\$29,545) and (seven) staff core reduction from the Fiscal Year 2004 appropriation level.

### **DIVISION OF PERSONNEL**

The Division of Personnel provides central personnel management programs and services to all executive branch departments in compliance with the State Personnel Law and the principles of sound personnel management. Responsibilities include operation of the Missouri Merit System, position classification and compensation management, supervisory and management training, coordination of relations with employee unions, and providing personnel management expertise and other services to assist agencies.

The Personnel Advisory Board sets rules and regulations for the Merit System, approves classifications and pay plans, conducts appeal hearings for applicants and employees, and advises the Division of Personnel and the Governor on personnel administration.

#### **Fiscal Year 2005 Governor's Recommendations**

- \$49,274 for pay plan.
- (\$142,364) and (3.5) staff core reduction from the Fiscal Year 2004 appropriation level.

### **DIVISION OF PURCHASING AND MATERIALS MANAGEMENT**

The Division of Purchasing and Materials Management centralizes procurement to save money by purchasing supplies, materials, and services in larger quantities and encourages competitive bidding and awards on all contracts. All of state government is served except the University of Missouri, Lincoln University, Truman State University, Missouri Department of Transportation, Judiciary, Lottery, and the General Assembly. It encourages the participation of suppliers, including small disadvantaged businesses, in the competitive bid process and ensures compliance with Chapter 34, RSMo. The division also coordinates recycling collection efforts of state agencies and administers the Recycling Products Preference Program. The materials management section recycles property among agencies and sells surplus state equipment through negotiated, sealed bids and auction sales. Surplus property sales receipts are used to pay the expenses of surplus property sales with the remaining receipts distributed to the appropriate state funds from which the equipment was purchased.

#### **Fiscal Year 2005 Governor's Recommendations**

- \$41,693 and one staff to comply with the revenue enhancement requirements of HB 600 (2003).
- \$48,956 for pay plan, including \$28,864 general revenue.
- (\$1,041,200) other funds reallocated to the surplus property sale proceeds fund.
- (\$1,031) core reduction from the Fiscal Year 2004 appropriation level.

### **DIVISION OF FACILITIES MANAGEMENT**

The Division of Facilities Management is responsible for the centralized operation, maintenance, and management of state-owned and leased office buildings and various other structures at the seat of government and other locations throughout the state. State-owned Building Operations and Leasing and Design Operations are funded by a general revenue transfer. The same funds that support the activities of state employees in state-owned office buildings and leased buildings are then allocated for their cost of operating and maintaining the space. The division is the operating agent for the Office of Administration responsible for the acquisition of necessary space, either in state-owned buildings or through the lease process. A competitive bid process is used to acquire leased space.

#### **Fiscal Year 2005 Governor's Recommendations**

- \$1,009,780 and two staff for increased state office building operations, including operation of the new Green Building.
- (\$24,888) and (5.5) staff core reduction from the Fiscal Year 2004 appropriation level.

## **OFFICE OF ADMINISTRATION**

### **DIVISION OF GENERAL SERVICES**

The division provides agencies with a variety of services such as printing, state fleet management, administration of the legal expense fund and the state employee Workers' Compensation Program, vehicle maintenance, and flight operations. The Division of General Services also provides staff to administer activities of the Missouri Public Entity Risk Management Fund, a liability insurance pool for Missouri public entities. The Head Injury Program and Health Council Programs are also administered by the division.

#### **Fiscal Year 2005 Governor's Recommendations**

- \$23,753 for pay plan, including \$22,178 general revenue.
- (\$840) and (10.45) staff core reduction from the Fiscal Year 2004 appropriation level.

### **ASSIGNED PROGRAMS**

#### **ADMINISTRATIVE HEARING COMMISSION**

The Administrative Hearing Commission conducts pre-hearing conferences and full evidentiary hearings throughout Missouri, making findings of fact and conclusions of law relative to appeals and complaints. The commission's jurisdiction includes appeals of decisions made by the professional licensing boards and taxpayers' appeals of decisions made by the Department of Revenue; the Division of Liquor Control; the Missouri Health Facilities Review Committee; the Personnel Advisory Board; and the Departments of Mental Health, Health, and Social Services.

#### **Fiscal Year 2005 Governor's Recommendations**

- \$14,427 for pay plan.
- (\$775) and (one) staff core reduction from the Fiscal Year 2004 appropriation level.

## **OFFICE OF CHILD WELFARE**

Pursuant to Executive Order 02-22 issued December 17, 2002, the Office of Child Welfare is charged with monitoring the child welfare system to ensure compliance with state and federal laws pertaining to children's services.

#### **Fiscal Year 2005 Governor's Recommendations**

- \$3,811 for pay plan, including \$2,553 general revenue.
- (\$30,144) core reduction from the Fiscal Year 2004 appropriation level.

## **CHILDREN'S TRUST FUND**

The Children's Trust Fund and Children's Trust Fund Board are established to facilitate and fund the development of community-based prevention programs to strengthen families and prevent child abuse and neglect, and to provide public education about the problem of child abuse and its prevention. The Children's Trust Fund Board has developed a long-range plan, which is reviewed annually. Activities of the Children's Trust Fund are divided into two broad areas: public education and program development and funding. Each includes an array of programs to meet the goals of the board.

#### **Fiscal Year 2005 Governor's Recommendations**

- \$3,709 other funds for pay plan.

## **MISSOURI CHILDREN'S SERVICES COMMISSION**

The Missouri Children's Services Commission Fund was established to receive grants, gifts, bequests, and federal grants to support the activities of the Children's Services Commission in accordance with Sections 210.103, RSMo.

#### **Fiscal Year 2005 Governor's Recommendations**

Continue funding at the current level.

## **OFFICE OF ADMINISTRATION**

### **ASSIGNED PROGRAMS (Continued)**

#### **GOVERNOR'S COUNCIL ON DISABILITY**

The Governor's Council on Disability promotes full participation of the nearly one million Missourians with disabilities in all aspects of community life by educating employers, employees, local and state governments, persons with disabilities, and other interested parties of their rights and responsibilities under the Americans with Disabilities Act, Missouri Human Rights Act, and other disability rights laws.

#### **Fiscal Year 2005 Governor's Recommendations**

- \$230,109 and five staff transferred from the Department of Labor and Industrial Relations.
- \$3,212 for pay plan.
- (\$340) core reduction from the Fiscal Year 2004 appropriation level.

#### **MISSOURI ASSISTIVE TECHNOLOGY COUNCIL**

The Missouri Assistive Technology Council supports access to adaptive devices that increase the independence and productivity of Missourians with all types of disabilities. The council provides adaptive telecommunications devices and computer adaptations, short-term loan of a full range of assistive technology, used equipment exchange, and low interest loans for the purchase of assistive technology and home modifications.

#### **Fiscal Year 2005 Governor's Recommendations**

- \$3,547,644 and ten staff transferred from the Department of Labor and Industrial Relations, including \$54,433 general revenue.
- \$8,668 federal and other funds for pay plan.

#### **MISSOURI ETHICS COMMISSION**

The Missouri Ethics Commission was established in accordance with the provisions in SB 262 (1991). The commission is composed of six members, not more than three from the same political party. The commission is responsible for receiving and maintaining lobbyist reports, personal financial disclosures, and election reports. It must investigate reports of campaign and ethical violations, develop ethical standards, and make determinations of allegations of ethical violations.

#### **Fiscal Year 2005 Governor's Recommendations**

- \$16,596 for pay plan.

#### **OFFICE OF INFORMATION TECHNOLOGY**

The Office of Information Technology was established July 1, 1995, in response to a recommendation of the Commission on Management and Productivity for statewide control and planning relating to information technology in Missouri state government. The office's objectives include: implementing an information technology strategic planning process that supports agency-specific strategic planning; directing the statewide adoption of policy, procedures, and standards relating to information technology; and reviewing agency technology budgets.

#### **Fiscal Year 2005 Governor's Recommendations**

- \$6,660 federal funds for pay plan.
- (\$886,332) federal funds and (eight) staff core reduction from the Fiscal Year 2004 appropriation level.
- (\$10,303,164) federal funds for one-time expenditures.



## **OFFICE OF ADMINISTRATION**

### **DEBT AND RELATED OBLIGATIONS**

#### **BOARD OF PUBLIC BUILDINGS DEBT SERVICE**

This appropriation is for payment of principal, interest, and reserve requirements on outstanding bonds.

##### **Fiscal Year 2005 Governor's Recommendations**

- \$17,512 for increased debt service.
- \$12,000 for fees related to selling bonds for the University of Missouri arena.
- \$17,652 reallocated from lease/purchase debt service and MOHEFA.

#### **LEASE/PURCHASE DEBT SERVICE**

Beginning in Fiscal Year 2003, money was transferred from the Board of Public Buildings debt service to the Lease/Purchase appropriation in order to separate payments.

##### **Fiscal Year 2005 Governor's Recommendations**

- (\$9,238) core reduction from the Fiscal Year 2004 appropriation level.
- (\$7,652) reallocated to Board of Public Buildings debt service.

#### **STATE PROPERTY PRESERVATION**

This appropriation is for transferring funds to the state property preservation fund for repair or replacement of damaged state facilities, or for defeasance of outstanding debt secured by the damaged facilities.

##### **Fiscal Year 2005 Governor's Recommendations**

Continue funding at the current level.

#### **MISSOURI HEALTH AND EDUCATIONAL FACILITIES AUTHORITY DEBT SERVICE**

The Missouri Health and Educational Facilities Authority (MoHEFA) has issued \$39,999,569 in Series A 1989 Missouri College Savings Bonds to fund building projects at the University of Missouri. In November 2001, \$35 million in bonds were issued for the University of Missouri-Columbia Arena Project.

##### **Fiscal Year 2005 Governor's Recommendations**

- \$2,868,784 for principle and interest payments on the University of Missouri-Columbia Arena Project bonds.
- (\$10,000) reallocated to the Board of Public Buildings debt service.

#### **DEBT MANAGEMENT**

This appropriation is for professional assistance with managing the state's \$2.5 billion outstanding debt so that the Office of Administration can act quickly to take advantage of savings opportunities.

##### **Fiscal Year 2005 Governor's Recommendations**

- \$200,000 for debt management consultants.

## **OFFICE OF ADMINISTRATION**

### **DEBT AND RELATED OBLIGATIONS (Continued)**

#### **NEW JOBS TRAINING CERTIFICATES**

Sections 178.892 to 178.896, RSMo, established the New Jobs Training Program. Businesses establishing new jobs in the state can enter into an agreement with a community college district to provide training for new employees. The training is funded from the proceeds of new jobs training certificates issued by community college districts. The debt service on the certificates is payable from the employees' Missouri income tax withholding credits. If the business would sharply decrease or eliminate its operations, funds may not be available to meet debt service costs.

#### **Fiscal Year 2005 Governor's Recommendations**

Continue funding at the current level.

#### **CONVENTION AND SPORTS COMPLEX PROJECTS**

SB 295 (1989) authorized annual appropriations of state matching funds for convention and sports complex capital projects in certain cities and counties. Ongoing projects include: Jackson County Sports Complex Stadium, \$3,000,000; Bartle Hall, \$2,000,000; and Edward D. Jones Dome, \$12,000,000.

#### **Fiscal Year 2005 Governor's Recommendations**

Continue funding at the current level.

### **ADMINISTRATIVE DISBURSEMENTS**

Acting as the central financial agency for the state, the Office of Administration makes numerous disbursements each year.

#### **CASH MANAGEMENT IMPROVEMENT ACT**

The federal Cash Management Improvement Act of 1990 and 1992 requires that the state pay interest on certain federal grant monies while deposited in the State Treasury. Interest is calculated and paid at the daily equivalent of the annualized 13-week average Treasury Bill Rate.

#### **Fiscal Year 2005 Governor's Recommendations**

Continue funding at the current level.

#### **AUDIT RECOVERY DISTRIBUTION**

This is a mechanism to allow the distribution of a percentage of monies recovered by the state to the audit firm that recovers the money.

#### **Fiscal Year 2005 Governor's Recommendations**

Continue funding at the current level.

#### **STATEWIDE OPERATIONAL MAINTENANCE AND REPAIR TRANSFER**

This section allows for the transfer of general revenue into departmental operating budgets for statewide maintenance and repair appropriations.

#### **Fiscal Year 2005 Governor's Recommendations**

Continue funding at the current level.

## OFFICE OF ADMINISTRATION

### ADMINISTRATIVE DISBURSEMENTS (Continued)

#### BUDGET RESERVE INTEREST

In the event that the general revenue fund borrows money from the budget reserve fund, general revenue must repay the loan with interest. This mechanism will allow that to happen.

#### Fiscal Year 2005 Governor's Recommendations

- (\$1,000,000) core reduction from the Fiscal Year 2004 appropriation level.

#### TRANSFER TO BUDGET RESERVE FUND

Article IV, Section 27(a), requires a transfer from either general revenue or the budget reserve fund depending on the balance left in the budget reserve fund at the close of a fiscal year.

#### Fiscal Year 2005 Governor's Recommendations

Continue funding at the current level.

#### OTHER FUND CORRECTIONS

A transfer section is needed as a mechanism by which corrections can be made when money is erroneously deposited into the wrong fund.

#### Fiscal Year 2005 Governor's Recommendations

Continue funding at the current level.

#### FLOOD CONTROL LANDS GRANT

The Flood Control Lands Grant is a "pass-through" of funds that represents 75 percent of the monies from leases of the land owned by the United States under the Flood Control Act. Sections 12.080 and 12.090, RSMo, prescribe that the funds be used for the benefit of public schools and public roads of the county in which the government land is situated. These funds may also be used for any expenses of the county government, including public obligations of levee and drainage districts for flood control and drainage improvements.

#### Fiscal Year 2005 Governor's Recommendations

Continue funding at the current level.

#### NATIONAL FOREST RESERVE GRANT

The National Forest Reserve Grant is a "pass-through" of funds which is received from the federal government. Sections 12.070 and 12.090, RSMo, provide for 25 percent of all the money received by the National Forest Reserve by the state to be expended for the benefit of public schools and public roads of the county in which the forest reserve is located. Of the total received, 75 percent will be spent for public schools and 25 percent for public roads.

#### Fiscal Year 2005 Governor's Recommendations

Continue funding at the current level.

## **OFFICE OF ADMINISTRATION**

### **ADMINISTRATIVE DISBURSEMENTS (Continued)**

#### **CLARENCE CANNON PAYMENT**

A contract with the U.S. Army Corps of Engineers, developed with the concurrence of the executive and legislative branches, requires that the state pay a share of the cost of water supply storage in Mark Twain Lake on the Salt River in Northeastern Missouri. The contract results from a request by the state for the Corps to build water supply storage into the Clarence Cannon Dam project to meet water needs of that part of Missouri, which has been chronically short of potable water.

#### **Fiscal Year 2005 Governor's Recommendations**

Continue funding at the current level.

#### **COUNTY JUVENILE PERSONNEL REIMBURSEMENTS**

The state is required to reimburse specified counties for 25 percent of their juvenile court expenditures.

#### **Fiscal Year 2005 Governor's Recommendations**

Continue funding at the current level.

#### **COUNTY PROSECUTION REIMBURSEMENTS**

The state may provide reimbursement to counties for expenses incurred in the prosecution of crimes within correctional institutions and expenses of trials of capital cases in limited circumstances.

#### **Fiscal Year 2005 Governor's Recommendations**

Continue funding at the current level.

#### **COSTS IN CRIMINAL CASES**

In accordance with Chapters 550 and 548 and Section 57.290, RSMo, the state pays counties and sheriffs for court costs of indigents in criminal cases and costs of incarceration, transporting prisoners to state prisons, and serving extradition warrants.

#### **Fiscal Year 2005 Governor's Recommendations**

- (\$1,047,384) for one-time expenditures

#### **REGIONAL PLANNING COMMISSIONS**

State financial aid enables local governments, through regional planning commissions, to initiate programs and services identified as important by member governments. State funds are matched by local funds.

#### **Fiscal Year 2005 Governor's Recommendations**

Continue funding at the current level.

#### **INTERGOVERNMENTAL COOPERATION COMMISSION**

The Intergovernmental Relations Section (IGR) is the focal point from which state agencies receive information and recommendations on intergovernmental issues. The Missouri Commission on Intergovernmental Cooperation works closely with the Governor's Federal Fiscal Impact Commission, follows the devolution of federal programs, and studies the effect on state and local governments. The IGR section also publishes a yearly guide to Missouri state government.

#### **Fiscal Year 2005 Governor's Recommendations**

Continue funding at the current level.

## **OFFICE OF ADMINISTRATION**

### **ADMINISTRATIVE DISBURSEMENTS (Continued)**

#### **PUBLIC TELEVISION AND PUBLIC RADIO GRANTS**

Funds are distributed through these grants to Missouri public television and radio stations for assistance in operating costs.

#### **Fiscal Year 2005 Governor's Recommendations**

Continue funding at the current level.

#### **SPECIAL ELECTION COSTS**

Section 115.077, RSMo, requires the state and political subdivisions submitting questions or candidates in a special election to deposit their proportional share of the costs with the election authority not later than the third Tuesday prior to the election. This appropriation allows the state to comply with the law by prepaying its share of the estimated expenses of a special election. The state is also required to reimburse local election authorities for certain other expenses attributable to changes in state law. Should a special election be called, expenditures made from this appropriation will be transferred to the state election subsidy fund for disbursement.

#### **Fiscal Year 2005 Governor's Recommendations**

- \$3,884,000 to implement the requirements of HB 511 (2003).

#### **ELECTED OFFICIALS TRANSITION**

The state provides operating costs for the transition into office of newly elected officials, including the Governor, Lieutenant Governor, Secretary of State, Auditor, Treasurer, and Attorney General.

#### **Fiscal Year 2005 Governor's Recommendations**

- \$135,000 for elected officials' transition costs.

# DEPARTMENT OF PUBLIC SAFETY

## FINANCIAL SUMMARY

	FY 2003 EXPENDITURE	FY 2004 APPROPRIATION	FY 2005 REQUEST	GOVERNOR RECOMMENDS FY 2005
Office of the Director	\$ 31,380,648	\$ 43,533,875	\$ 40,490,906	\$ 40,419,945
Capitol Police	1,862,470	1,394,391	1,394,391	1,419,450
State Highway Patrol	145,096,613	182,433,221	193,838,323	194,596,711
State Water Patrol	5,320,691	6,246,330	6,423,774	6,512,572
Division of Alcohol and Tobacco Control	3,339,287	3,255,002	3,472,481	3,522,717
Division of Fire Safety	2,377,931	2,838,779	2,887,806	2,929,083
Division of Highway Safety	13,212,403	0	0	0
Missouri Veterans' Commission	44,346,374	56,123,719	61,050,319	61,476,343
Missouri Gaming Commission	16,024,423	20,513,347	20,714,333	20,923,614
Adjutant General	96,321,348	32,885,340	34,341,128	34,394,715
DEPARTMENTAL TOTAL	\$ 359,282,188	\$ 349,224,004 *	\$ 364,613,461	\$ 366,195,150
General Revenue Fund	43,899,204	39,422,758	47,732,191	45,608,397
Federal Funds	130,897,118	87,031,465	81,869,235	82,197,639
Gaming Commission Fund	16,608,302	21,642,347	21,819,119	22,035,995
Missouri Veterans' Homes Fund	34,324,301	45,343,302	43,165,522	44,996,188
State Highways and Transportation				
Department Fund	111,568,697	124,048,907	136,540,794	137,070,278
Other Funds	21,984,566	31,735,225	33,486,600	34,286,653
Full-time equivalent employees	4,495.60	4,746.22	4,965.72	4,849.36

\* Does not include \$3,250,476 federal and other funds in Fiscal Year 2004 Supplemental Appropriations. See the Supplemental section of the Missouri Budget for details regarding the Department of Public Safety supplemental appropriations.

## POLICY SUMMARY

Governor Holden's budget for Fiscal Year 2005 provides \$366 million for the Department of Public Safety. The department is charged with protecting the people of Missouri from crime and other dangers. The department operates on land, water, and by air on an around-the-clock basis. The core functions provided by the Department of Public Safety include:

- Enforcing laws on state roads and waterways.
- Combating the manufacture and sale of illegal drugs.
- Supporting local law enforcement agencies.
- Assisting victims of crime and crime victim advocacy organizations, such as domestic violence shelters.
- Promoting fire safety.
- Deterring underage consumption of alcohol and tobacco.
- Preparing for and responding to disasters.
- Maintaining National Guard units at a high state of readiness so they are prepared to respond when called to active duty.
- Providing assistance, care, and burial for veterans.
- Regulating riverboat gaming.

### Enhancing Public Safety

Governor Holden continues his commitment to equipping the Department of Public Safety and local law enforcement with the tools needed to protect Missouri citizens from crime. Under Governor Holden, the department continues to enhance the security of the state's most vital assets. The Governor recommends the following measures to assist law enforcement and crime victims and ensure the general safety of the public at large.

- \$2.6 million state highways and transportation department fund to upgrade Highway Patrol communication capabilities.
- \$2.6 million state highways and transportation department fund for Highway Patrol criminal justice data processing expenses.
- \$1.6 million federal and other funds to support and enhance crime lab and forensic science services.

## DEPARTMENT OF PUBLIC SAFETY

### POLICY SUMMARY (Continued)

- \$1.2 million federal and other funds to enhance the Highway Patrol's automated fingerprint identification system pursuant to SB 184 (2003), by developing and integrating a computer-searchable database of palm prints. Currently, the Highway Patrol can match known palm prints against unidentified crime scene palm prints through time-consuming expert examination. Automating the palm print matching process will both expedite and enhance criminal investigations.
- \$639,000 crime victims' compensation fund for a crime victims' notification system, pursuant to SB 267 (2001). This centralized system will disseminate offender status information to crime victims through an on-call or automated basis, if the victim registers.
- \$624,154 criminal record system fund and two staff to establish, pursuant to SB 184 (2003), an Internet-accessible statewide sex offender registry with a variety of search capabilities. Currently, means of access to offender registries vary from county to county. The statewide registry will both simplify and enhance public access to offender information.
- \$504,330 federal funds to integrate the state court system that tracks arrest warrants and orders of protection with the state law enforcement information system, making such information more readily available to officers in the field.
- \$658,890 to upgrade the state emergency operations center in compliance with new federal guidelines, including \$164,723 general revenue. These improvements will enhance the facility's physical security, and will allow closer coordination and communication between state and federal authorities in times of emergency.
- \$237,819 and four staff to deter underage alcohol consumption through a statewide keg registration system, pursuant to SB 298 (2003).

### Caring for Veterans

Missourians have served with distinction in the armed forces of our nation, placing their lives at risk in order to preserve our freedom. Governor Holden recognizes the special debt owed to these guardians of liberty. The Governor recommends the following measures to support veterans.

- \$1.8 million and 93 staff to comply with federally prescribed veterans' home nursing care standards.
- \$1.1 million for increased pharmaceutical costs at veterans' homes.
- \$818,593 veterans' commission capital improvement trust fund and four staff to administer the Korean Conflict Medal Program pursuant to SB 219 (2003).
- \$105,282 and one staff to coordinate ongoing benefits awareness efforts to minority veterans statewide.

Following are some performance measures the Department of Public Safety uses to evaluate the degree to which veterans' home residents are satisfied with the quality of care provided:

	2001	2002	2003
Resident satisfaction survey – St. James Home	86%	91%	95%
Resident satisfaction survey – Mexico Home	84%	87%	93%
Resident satisfaction survey – Mt. Vernon Home	95%	92%	96%
Resident satisfaction survey – St. Louis Home	88%	77%	84%
Resident satisfaction survey – Cameron Home	88%	89%	88%
Resident satisfaction survey – Cape Girardeau Home	91%	95%	96%
Resident satisfaction survey – Warrensburg Home	90%	92%	89%

### Improved Efficiency

Missouri has always been a low tax state and has, therefore, provided only essential services at a very low cost. The state's already low tax level combined with two consecutive years of declining revenue have led to significant reductions in many programs. However, under Governor Holden's leadership, state agencies have minimized the negative impact on services by dramatically reducing administrative costs and by developing ways to provide remaining services in the most efficient manner possible.

## DEPARTMENT OF PUBLIC SAFETY

### POLICY SUMMARY (Continued)

The Department of Public Safety has aggressively improved the services it provides and reduced administrative costs by:

- Maximizing its use of federal funding to provide administrative support for federally funded assistance programs and services.
- Contracting with the federal Veterans' Administration to reduce the cost of pharmaceuticals at veterans' homes.
- Implementing new information technologies to reduce paperwork-related delays in processing criminal justice information requests.

In addition to cost-cutting measures already implemented, the Department of Public Safety plans to:

- Consolidate National Guard units through closure of some armories to reduce state support costs.
- Implement an electronic reporting system for boiler and pressure vessel inspections to reduce paperwork-related delays.
- Convert eight Highway Patrol gaming enforcement posts to less expensive, civilian positions focusing on the increasingly important field of electronic gaming device regulation.

### **Cuts Already Made**

The Department of Public Safety has worked to minimize the impact of reduced funding on services. However, funding for the services provided by the department has been cut significantly in recent years. Because of these cuts, the department has been forced to eliminate numerous programs or greatly reduce the level of support provided. Examples include:

- The National Guard Show-Me Challenge at-risk youth camp program was eliminated. The program was designed to assist troubled youth to obtain an education and job skills.
- Local Government and School District Partnership grants for school resource officers were eliminated.
- The Highway Patrol is no longer able to provide free DARE instructional materials to local schools and law enforcement agencies.
- Community Oriented Policing outreach and training programs offered through the Director's Office were eliminated.
- Operation Payback awards for tips leading to methamphetamine busts are no longer provided.
- The Multi-Jurisdictional Task Force Program to support state and local law enforcement collaboration was eliminated.
- Basic firefighter training offered free of charge to volunteer firefighters was reduced by 39 percent.
- Regional Crime Lab Program grants were reduced by 43 percent.



## **DEPARTMENT OF PUBLIC SAFETY**

### **OFFICE OF THE DIRECTOR/CRIMINAL JUSTICE PROGRAMS UNIT**

The Director's Office provides the central budgeting, finance, and personnel control to ensure efficient use of available resources. Staff members plan, review, and evaluate programs to coordinate the state's public safety and law enforcement efforts and to promote cooperation among local, state, and federal agencies. In addition, the criminal justice programs unit oversees the implementation of programs relating to juvenile justice, domestic violence, peace officer standards, witness protection, forensic laboratories, narcotics control, and crime victims assistance.

#### **Fiscal Year 2005 Governor's Recommendations**

- \$639,000 crime victims' compensation fund for maintenance of the state's new automated victim notification.
- \$110,000 federal funds to improve the forensic science services provided by the state's crime labs and medical examiners.
- \$29,598 for pay plan, including \$19,168 general revenue.
- (\$3,885,828) federal and other funds and (three) staff in core reduction from the Fiscal Year 2004 appropriation level, including (\$100,559) general revenue.
- (\$6,700) federal funds core reduction for one-time expenditures.

### **CAPITOL POLICE**

The Capitol Police are responsible for security at the Capitol and other facilities occupied by state agencies throughout Jefferson City.

#### **Fiscal Year 2005 Governor's Recommendations**

- \$25,781 for pay plan.
- (\$722) core reduction from the Fiscal Year 2004 appropriation level.

### **HIGHWAY PATROL**

#### **ADMINISTRATION**

This section includes the administrative, planning, fiscal, and support activities of the Highway Patrol.

#### **Fiscal Year 2005 Governor's Recommendations**

- \$122,874 state highways and transportation department fund for pay plan.
- \$55,979 state highways and transportation department fund reallocation from other Highway Patrol divisions.
- (\$1,700,069) core reduction from the Fiscal Year 2004 appropriation level, including (\$69) general revenue.

#### **FRINGE BENEFITS**

Employer retirement contributions, health insurance, and workers' compensation insurance for Highway Patrol employees are paid by the state in a separate appropriation made for those purposes. The amount of the retirement payment is determined by the Board of Trustees of the Highway Employees' and Highway Patrol Retirement System.

#### **Fiscal Year 2005 Governor's Recommendations**

- \$6,847,051 for rate increases, including \$362,347 general revenue.
- \$244,169 other funds for new employee fringe benefits.

## **DEPARTMENT OF PUBLIC SAFETY**

### **HIGHWAY PATROL (Continued)**

#### **ENFORCEMENT**

The primary activity of this section is the patrolling of more than 122,000 miles of public roadways to ensure the safe and orderly flow of traffic. The Patrol also performs undercover investigations, analyzes evidence discovered at crime scenes, assists local law enforcement agencies, provides access to the Missouri Uniform Law Enforcement System, performs criminal background checks, and maintains a statewide system of commercial motor vehicle weigh stations.

#### **Fiscal Year 2005 Governor's Recommendations**

- \$1,166,441 federal and other funds to enhance the Highway Patrol's automated fingerprint identification system.
- \$1,000,000 federal funds to reduce DNA case backlogs at crime labs throughout the state.
- \$445,000 federal and other funds for an electron microscope for gunshot residue analysis and two gas chromatographs for drug and alcohol chemistry and toxicology.
- \$405,650 criminal record system fund and 13 staff to expedite criminal history screenings.
- \$369,137 federal funds for traffic safety projects and communications equipment.
- \$348,195 criminal record system fund for increased automated fingerprint identification system maintenance costs.
- \$189,000 highway patrol vehicle revolving fund for aircraft maintenance.
- \$127,852 highway patrol traffic records fund to remodel the workplace of the traffic records division.
- \$76,624 for ballistic vest replacements, including \$6,876 general revenue.
- \$13,241 gaming commission fund and one staff for automobile maintenance.
- \$1,199,224 for pay plan, including \$119,842 general revenue.
- \$314,510 and 11 staff reallocated from other Highway Patrol divisions, including \$20,667 general revenue.
- (\$4,056,026) and (one) staff in core reduction from the Fiscal Year 2004 appropriation level, including (\$182,570) general revenue.
- (\$330,500) highway patrol vehicle revolving fund core reduction for one-time expenditures.

#### **LAW ENFORCEMENT ACADEMY**

The academy provides basic training to police officers in all agencies outside St. Louis and Jackson counties. The academy also provides administrative and specialized training to police officers from all counties.

#### **Fiscal Year 2005 Governor's Recommendations**

- \$40,984 federal and other funds for pay plan.
- \$1,200 federal funds reallocated from other Highway Patrol divisions.
- (\$211,299) federal and other funds and (one) staff in core reduction from the Fiscal Year 2004 appropriation level.
- (\$85,862) state highways and transportation department fund and (two) staff reallocated to other Highway Patrol divisions.

#### **VEHICLE AND DRIVER SAFETY**

This section evaluates drivers and vehicles to identify and remove those unfit to be on Missouri roadways. Over 4,900 inspection stations and approximately 23,300 inspector mechanics throughout the state are supervised. The section also maintains over 140 driver examination stations throughout the state.

#### **Fiscal Year 2005 Governor's Recommendations**

- \$180,582 state highways and transportation department fund for pay plan.
- (\$159,470) state highways and transportation department fund and (two) staff reallocated to other Highway Patrol divisions.
- (\$82,550) federal funds core reduction from the Fiscal Year 2004 appropriation level.
- (\$7,160) state highways and transportation department fund core reduction for one-time expenditures.

## **DEPARTMENT OF PUBLIC SAFETY**

### **HIGHWAY PATROL (Continued)**

#### **TECHNICAL SERVICES**

This section develops and processes comprehensive criminal offender data, traffic record data, and administrative data. The database is used to respond to inquiries and for analysis of the criminal justice and traffic systems to plan for effective law enforcement. This section also operates the statewide Missouri Uniform Law Enforcement System (MULES).

#### **Fiscal Year 2005 Governor's Recommendations**

- \$2,555,302 state highways and transportation department fund for Highway Patrol criminal justice data processing expenses.
- \$2,554,800 state highways and transportation department fund to upgrade Highway Patrol communication capabilities.
- \$624,154 criminal record system fund and two staff to implement SB 184 (2003).
- \$504,330 federal funds to integrate the state court system that tracks arrest warrants and orders of protection with the state law enforcement information system.
- \$68,169 federal funds to develop an Internet-based criminal incident database accessible to law enforcement statewide.
- \$209,910 for pay plan, including \$7,651 general revenue.
- (\$741,595) core reduction from the Fiscal Year 2004 appropriation level, including (\$595) general revenue.
- (\$126,357) and (seven) staff reallocated to other Highway Patrol divisions, including (\$20,667) general revenue.

### **STATE WATER PATROL**

The primary task of the State Water Patrol is to ensure that Missouri citizens and tourists enjoy state waterways in safety through enforcement of water safety laws. This is accomplished by patrolling 626,081 acres of recreational waters in the state. Water Patrol officers provide boating safety education, boat inspection services, and enforce state and federal laws relating to water safety. Water Patrol officers present safety programs to students and civic organizations, inspect boats, and investigate dock and buoy placements to prevent water hazards.

#### **Fiscal Year 2005 Governor's Recommendations**

- \$104,328 federal funds and one staff to implement a boating safety and operator identification program.
- \$73,116 federal funds and one staff for a new lieutenant colonel.
- \$92,636 for pay plan, including \$88,648 general revenue.
- (\$3,838) core reduction from the Fiscal Year 2004 appropriation level.

### **DIVISION OF ALCOHOL AND TOBACCO CONTROL**

The Division of Alcohol and Tobacco Control administrative staff review all liquor license applications and reported liquor and tobacco violations. The staff develop facts regarding reported violations in pre-hearing conferences and formal hearings before the supervisor, and, depending on the outcome of hearings, issue citations.

The audit and collection staff reviews beer, wine, and liquor transactions to ensure that all revenues due to the state are collected. The program also ensures fair competition among liquor wholesalers by monitoring actual prices charged for various classes and types of beverages against price schedules for such products.

The enforcement program ensures that liquor licenses are issued only to qualified applicants on approved premises. Agents conduct inspections and investigate complaints received on violations of liquor and tobacco control laws. Reports are filed with local authorities and the supervisor of Alcohol and Tobacco Control for review and appropriate action.

#### **Fiscal Year 2005 Governor's Recommendations**

- \$237,819 and four staff to deter underage alcohol consumption through a statewide keg registration system, pursuant to SB 298 (2003).
- \$51,772 for pay plan, including \$44,091 general revenue.
- (\$21,876) and (one) staff in core reduction from the Fiscal Year 2004 appropriation level, including (\$1,536) general revenue.

## **DEPARTMENT OF PUBLIC SAFETY**

### **DIVISION OF FIRE SAFETY**

Division of Fire Safety staff conducts investigations to determine the causes of fires and explosions. Investigators assist in case development and, when necessary, work with local law enforcement authorities to prosecute persons accused of arson. Inspection activities concentrate on fire prevention evaluations. Inspectors evaluate nursing homes that are used for state mental health patients, patient care facilities operated by the Department of Mental Health, day care facilities licensed by the state, senior citizen nutrition and recreation centers, and other public facilities. The division also administers a Public Boiler and Pressure Vessel Safety Inspection Program, conducts fireworks industry inspections, and provides firefighter training throughout the state.

#### **Fiscal Year 2005 Governor's Recommendations**

- \$112,750 boiler and pressure vessel safety fund to automate the boiler inspection reporting system.
- \$23,169 elevator safety fund and one staff to expedite elevator safety inspections.
- \$42,427 for pay plan, including \$34,589 general revenue.
- (\$44,655) other funds core reduction for one-time expenditures.
- (\$43,387) core reduction from the Fiscal Year 2004 appropriation level, including (\$1,150) general revenue.

### **MISSOURI VETERANS' COMMISSION**

The commission has four components: administration, which oversees programs and maintains central files; the Missouri veterans' homes at St. James, Mexico, Mt. Vernon, Cape Girardeau, St. Louis, Cameron, and Warrensburg, which care for Missouri veterans; the Missouri veterans' cemeteries at Higginsville, Springfield, St. James, Jacksonville, and Bloomfield; and the Service to Veterans' Program, which assists veterans in applying for U.S. Veterans Administration pensions and other benefits.

#### **Fiscal Year 2005 Governor's Recommendations**

- \$2,054,732 to ensure the veterans' homes fund remains solvent.
- \$1,750,508 and 93.45 staff to comply with federally prescribed veterans' home nursing care standards.
- \$1,102,173 for pharmaceuticals and related supplies and services.
- \$218,283 to fully fund the Fiscal Year 2004 pay plan for positions vacant at the time of the plan's calculation.
- \$105,282 and one staff to coordinate ongoing benefits awareness efforts to minority veterans statewide.
- \$2,348,720 for pay plan, including \$480,992 general revenue.
- (\$2,161,680) and (five) staff in core reduction from the Fiscal Year 2004 appropriation level, including (\$49,294) general revenue.
- (\$65,394) veterans' homes fund core reduction for one-time expenditures.

### **GAMING COMMISSION**

Senate Bill 10 (1993) established the Gaming Commission, which was granted regulatory authority over riverboat gambling and bingo. The five members of the Gaming Commission are appointed by the Governor with the advice and consent of the Senate.

#### **Fiscal Year 2005 Governor's Recommendations**

- \$500,000 gaming commission fund for transfer to the Missouri college guarantee fund.
- \$209,281 gaming commission fund for pay plan.
- (\$299,014) gaming commission fund and (six) staff in core reduction from the Fiscal Year 2004 appropriation level.

### **ADJUTANT GENERAL**

#### **ADMINISTRATION**

This section provides administrative support for the Missouri National Guard, including the functions of command communication, logistical assistance, finance, and budgeting. The Adjutant General is the military chief of staff to the commander-in-chief (Governor). The Adjutant General is also the administrative head of the military forces, which include Army and Air National Guard elements assigned to the state by the federal government.

#### **Fiscal Year 2005 Governor's Recommendations**

- \$39,951 for pay plan.
- (\$175,375) and (6.40) staff in core reduction from the Fiscal Year 2004 appropriation level.

## **DEPARTMENT OF PUBLIC SAFETY**

### **ADJUTANT GENERAL (Continued)**

#### **NATIONAL GUARD TRUST FUND PROGRAM**

HB 1519 (1998) established the Missouri National Guard Trust Fund and permitted income tax check-off contributions to be deposited in the fund. Grants, gifts, and bequests may also be deposited in the fund. In the absence of specific requirements attached to fund donations, the Office of the Adjutant General may, subject to appropriation, expend the funds for any lawful purpose in support of the Guard.

#### **Fiscal Year 2005 Governor's Recommendations**

Continue funding at the current level.

#### **TUITION ASSISTANCE**

In return for service to the state, the Missouri National Guard offers a variety of benefits for its members. The tuition assistance program provides reimbursement for higher education tuition and fees to Guard members who meet certain qualifications pursuant to law.

#### **Fiscal Year 2005 Governor's Recommendations**

Continue funding at the current level.

#### **MILITARY HONORS PROGRAM**

The Guard provides public recognition of the sacrifices made by veterans through the Military Honors Program, providing burial details with appropriate military honors for veterans upon request.

#### **Fiscal Year 2005 Governor's Recommendations**

- \$20,352 Missouri national guard trust fund for pay plan.
- (\$28,464) Missouri national guard trust fund and (one) staff in core reduction from the Fiscal Year 2004 appropriation level.

#### **VETERANS' RECOGNITION PROGRAM**

The Veterans' Recognition Program was first established in 2000 with the creation of the World War II Veterans' Recognition Award. The World War II Veterans' Recognition Award consists of a medal, medallion, and certificate. World War II veterans who participated in the D-Day invasion of Europe are also eligible to receive a replica of the Jubilee of Liberty medal. During the 2003 legislative session, the Korean Conflict Medallion Program was established. The Korean Conflict award will also consist of a medal, medallion, and certificate.

#### **Fiscal Year 2005 Governor's Recommendations**

- \$818,593 veterans' commission capital improvement trust fund and four staff to administer the Korean Conflict Medallion Program.

#### **OPERATING MAINTENANCE AND REPAIR**

The Missouri National Guard operates 63 armories and 629 buildings located throughout the state. The operating maintenance and repair program allows maintenance staff to purchase materials and supplies to perform preventive care.

#### **Fiscal Year 2005 Governor's Recommendations**

- (\$100,000) federal funds core reduction from the Fiscal Year 2004 appropriation level.

## **DEPARTMENT OF PUBLIC SAFETY**

### **ADJUTANT GENERAL (Continued)**

#### **FIELD SUPPORT**

The field support section supports the operational needs of Missouri National Guard facilities located throughout the state. This section includes maintenance and operation of 63 armories and 629 buildings in 66 Missouri communities.

#### **Fiscal Year 2005 Governor's Recommendations**

- \$600,000 federal funds for fuel and utility expenses at armory facilities statewide.
- \$28,904 for pay plan.
- (\$90,449) and (3.13) staff in core reduction from the Fiscal Year 2004 appropriation level.

#### **CONTRACT SERVICES**

This section provides funding for contractual agreements between the federal and state government related to maintenance and security of National Guard installations.

#### **Fiscal Year 2005 Governor's Recommendations**

- \$522,784 federal funds and 19.5 staff to support National Guard installations.
- \$268,845 for pay plan, including \$24,097 general revenue.
- \$304,506 and 11.05 staff reallocated from Troupers Training School, including \$90,595 general revenue.
- (\$86,030) and (3.28) staff in core reduction from the Fiscal Year 2004 appropriation level.

#### **TROUPERS TRAINING SCHOOL**

The Missouri National Guard was selected in 1998 as a national "Center of Excellence" for training by the federal government.

#### **Fiscal Year 2005 Governor's Recommendations**

- (\$817,696) federal funds and (five) staff in core reduction from the Fiscal Year 2004 appropriation level.
- (\$304,506) and (11.05) staff reallocated to Contract Services, including (\$90,595) general revenue.

#### **OFFICE OF AIR SEARCH AND RESCUE**

The Office of Air Search and Rescue provides emergency services utilizing the efforts of professionally trained pilots, communications specialists, and emergency support personnel. The office works in cooperation with state and federal agencies, the Civil Air Patrol, and public and private hospitals to provide emergency services, rescue operations, mercy missions, aerial observations, and emergency communications to anyone in immediate need of these specialized services.

#### **Fiscal Year 2005 Governor's Recommendations**

- (\$172) core reduction from the Fiscal Year 2004 appropriation level.

#### **STATE EMERGENCY MANAGEMENT AGENCY**

The State Emergency Management Agency develops policies and procedures that help protect citizens in times of disaster. The agency is charged with the task of preparing and periodically updating plans to manage and control the state's resources in emergency situations. Once disaster strikes, the agency administers federal assistance to disaster areas and coordinates efforts to aid individuals, protect property, and restore essential utilities and structures. A state emergency operations center also is maintained to serve as the control center for state government should emergency situations arise.

#### **Fiscal Year 2005 Governor's Recommendations**

- \$658,890 to upgrade the state emergency operations center, including \$164,723 general revenue.
- \$54,765 for pay plan, including \$32,393 general revenue.
- (\$205,523) and (two) staff in core reduction from the Fiscal Year 2004 appropriation level, including (\$70,852) general revenue.

# DEPARTMENT OF REVENUE

## FINANCIAL SUMMARY

	FY 2003 EXPENDITURE	FY 2004 APPROPRIATION	FY 2005 REQUEST	GOVERNOR RECOMMENDS FY 2005
Division of Administration	\$ 17,015,715	\$ 17,698,672	\$ 17,618,736	\$ 17,726,017
Division of Taxation	29,939,571	42,136,137	43,277,247	43,710,828
Division of Motor Vehicle and Drivers Licensing	32,706,823	37,083,439	35,788,998	36,142,406
Highway Reciprocity Commission	1,064,522	0	0	0
State Tax Commission	3,051,929	2,823,546	2,790,330	2,837,777
Distributions	211,581,133	227,858,457	234,859,457	234,859,457
State Lottery Commission	123,890,983	122,060,237	121,990,505	122,123,270
<b>DEPARTMENTAL TOTAL</b>	<b>\$ 419,250,676</b>	<b>\$ 449,660,488</b>	<b>\$ 456,325,273</b>	<b>\$ 457,399,755</b>
General Revenue Fund	66,216,732	79,388,409	85,811,637	86,233,266
Federal Funds	836,166	8,048,685	8,993,701	8,998,727
Child Support Enforcement Collection Fund	0	2,398,281	2,620,874	2,621,294
Health Initiatives Fund	47,733	51,429	51,429	52,275
Division of Aging Elderly Home				
Delivered Meals Trust Fund	0	21,604	21,604	21,820
Petroleum Storage Tank Insurance Fund	23,337	23,969	23,969	24,426
Motor Vehicle Commission Fund	636,028	730,427	1,000,139	1,009,263
Conservation Commission Fund	504,989	549,263	686,372	695,661
Department of Revenue Information Fund	849,145	970,916	970,916	979,343
State Highways and Transportation				
Department Fund	44,653,317	47,386,016	46,122,875	46,608,592
Lottery Enterprise Fund	123,890,983	122,060,237	121,990,505	122,123,270
Petroleum Inspection Fund	30,746	31,252	31,252	31,818
Motor Fuel Tax Fund	181,561,500	188,000,000	188,000,000	188,000,000
<b>Full-time equivalent employees</b>	<b>2,119.51</b>	<b>2,156.20</b>	<b>2,113.70</b>	<b>2,110.20</b>

## POLICY SUMMARY

Governor Holden's budget for Fiscal Year 2005 provides a total of \$457.4 million for the Department of Revenue. The department serves as the primary revenue collection agency for the state of Missouri. It strives to ensure that all taxes and fees owed to the state are paid, taxpayers are served conscientiously and efficiently, and revenues are collected at minimal administrative expense. The core functions provided by the Department of Revenue include:

- Preparing tax forms.
- Processing tax forms, returns, associated payments, and refunds.
- Titling and registering motor vehicles.
- Licensing drivers.
- Investigating instances of suspected tax or fee avoidance.

### Mandatory Initiatives

The Governor recommends the following measures to implement legislation enacted in 2003, enhance revenue collections, and assist custodial parents with child support payments.

- \$315,873 to implement the Missouri Downtown and Rural Economic Stimulus Act authorized by HB 289 (2003).
- \$99,166 to implement the state sales tax holiday authorized by SB 11 (2003).
- \$7,000,000, including \$6,406,621 general revenue, to complete the upgrade of the department's computer-assisted collection system. This is a benefit-based agreement between the state and a private vendor. Payments will only be made if the system identifies new revenues above an agreed-upon baseline.
- \$1,504,126, including \$126,871 general revenue, to meet contractual obligations with the vendor that collects and distributes child support payments.

## DEPARTMENT OF REVENUE

### POLICY SUMMARY (Continued)

#### Improved Efficiency

Missouri has always been a low tax state and has, therefore, provided only essential services at a very low cost. The state's already low tax level combined with two consecutive years of declining revenue have led to significant reductions in many programs. However, under Governor Holden's leadership, state agencies have minimized the negative impact on services by dramatically reducing administrative costs and by developing ways to provide remaining services in the most efficient manner possible.

The Department of Revenue has aggressively improved the services it provides and reduced administrative costs by:

- Introducing numerous efficiencies in the collection and processing of income taxes. For example, the department now participates in the federal/state telefile program, which simplifies filing income tax returns for many customers. This has permitted the department to reduce its customer assistance staff. Further, the department simplified tax forms and encouraged the use of electronic filing. The Division of Taxation has dramatically reduced its overtime and temporary staff, but still managed to process tax returns in Fiscal Year 2003 at twice the rate achieved in Fiscal Year 2000. Because of these efforts by the department, a reduction in its budget of over \$650,000 in administrative expenses was possible.
- Reorganizing staff so that sales tax refunds could be processed more efficiently. By sending out these refunds faster, the department saved the state over \$3.3 million in interest charges for Fiscal Years 2003 and 2004.
- Reorganizing and cross-training motor vehicle and licensing staff. Customer wait times in branch offices now average under ten minutes, down from 23 minutes three years ago. Further, staff can now process a single vehicle registration in nine days, when three years ago it took an average of 36 days.
- Developing on-line motor vehicle registration capabilities. This is a time saving service for drivers in participating counties.

Some performance measures the Department of Revenue uses to evaluate its goal of efficiently serving Missourians follow.

	2000	2001	2002	2003
Average number of days to deposit individual income tax payments:				
- Pre April 15	1.9	1.6	.46	.48
- Post April 15	6.3	5.8	5.5	3.5
Delinquent individual income taxes collected (millions)	\$91.3	\$75.5	\$67.0	\$73.0
Delinquent business taxes collected (millions)	\$117.9	\$116.9	\$118.3	\$135.9

In addition to cost-cutting measures already implemented, the Department of Revenue plans to:

- Implement on-line, self-calculating income tax forms to encourage the electronic filing of tax returns. Filing electronically minimizes calculation errors, which constitute the overwhelming majority of mistakes on tax returns. Minimizing these errors will allow the department to process refunds more efficiently.
- Work closely with the Internal Revenue Service to develop provisional federal employer identification numbers. This will result in businesses being able to register with the state more quickly, saving businesses time and money.

#### Cuts Already Made

The Department of Revenue has worked to minimize the impact of reduced funding on services. However, the department's funding for services has been cut in recent years. Because of these cuts, the department:

- Has significantly reduced courtesy mailings to taxpayers and tax preparers.
- Has been forced to slow the processing of titles and related documents for manufactured housing, marine vehicles, and all-terrain vehicles.



## **DEPARTMENT OF REVENUE**

### **DIVISION OF ADMINISTRATION**

The director of revenue's office is responsible for the processing and enforcement of tax and licensing functions. The general counsel's office assists the divisions with their respective statutory functions, provides research and legislative assistance, and oversees the filing of administrative rules. Human resource services are responsible for the recruitment, training, and development of employees. Technology services bureau provides systems development and support, production control, technical training, database administration, and technical support service throughout the department. Financial and general services are responsible for budgetary, accounting, cash management, mail operations, delivery and archival services, and motor pool services for the department. The criminal investigation bureau investigates suspected tax, motor vehicle, and driver's license fraud, and prepares cases for prosecution.

#### **Fiscal Year 2005 Governor's Recommendations**

- \$92,264 motor vehicle commission fund and 2.4 staff to assure funding is properly aligned with duties of criminal investigators.
- \$74,000 to implement legislation.
- \$172,383 for pay plan, including \$68,764 general revenue.
- \$458,852 and 12 staff reallocated from the Division of Taxation and Collection, including \$440,050 general revenue.
- \$295,248 state highways and transportation department fund and eight staff reallocated from the Division of Motor Vehicle and Drivers Licensing.
- (\$1,065,402) and (8.9) staff in core reduction from the Fiscal Year 2004 appropriation level, including (\$184,667) general revenue.

### **DIVISION OF TAXATION AND COLLECTION**

The Division of Taxation and Collection is organized by product type allowing each function to be managed as part of a complete product (e.g., individual income tax, sales tax, etc.). Each product manager is accountable for a product from beginning to end. The division has support functions to facilitate the administration of these products. Collection activities include account management, lien filing, third-party collection referrals, tax clearances, and debt offsets. The division has eight in-state field offices (St. Louis, Kansas City, Springfield, Jefferson City, Joplin, St. Joseph, Columbia, and Cape Girardeau) that handle taxpayer assistance on registrations, resolution of delinquencies, and revocation of sales tax licenses. Tax auditors are stationed in the eight in-state offices and three out-of-state offices (Chicago, Dallas, and New York) to foster compliance with Missouri tax laws by auditing taxpayer records and assisting taxpayers with technical questions.

#### **Fiscal Year 2005 Governor's Recommendations**

- \$1,504,126 to meet contractual obligations with the vendor that collects and distributes child support payments, including \$126,871 general revenue.
- \$415,039 and 5.5 staff to implement legislation.
- \$541,227 for pay plan, including \$482,307 general revenue.
- \$323,416 transferred from the Department of Social Services for child support enforcement, including \$33,062 general revenue.
- (\$608,622) and (17.5) staff in core reduction from the Fiscal Year 2004 appropriation level, including (\$477,092) general revenue.
- (\$458,852) and (12) staff reallocated to the Division of Administration, including (\$440,050) general revenue.
- (\$71,643) core reduction for one-time expenditures
- (\$70,000) state highways and transportation department fund reallocated to the Division of Motor Vehicle and Drivers Licensing.

## **DEPARTMENT OF REVENUE**

### **DIVISION OF MOTOR VEHICLE AND DRIVERS LICENSING**

The Division of Motor Vehicle and Drivers Licensing is responsible for administering and enforcing vehicle registration and titling and driver license regulations. The driver and vehicle services bureau titles and registers motor vehicles and watercraft, licenses motor vehicle dealers and boat dealers, and collects state and local sales/use tax and other vehicle fees. The driver and vehicle services bureau also suspends, revokes, and disqualifies driver and non-driver licenses, and administers the mandatory automobile liability insurance program. The customer assistance bureau oversees 182 field offices that provide driver licensing and motor vehicle titling and registration services to Missourians. The field offices also issue and renew operator and commercial driver licenses, non-driver licenses, and permits.

#### **Fiscal Year 2005 Governor's Recommendations**

- \$377,749 for pay plan, including \$2,125 general revenue.
- \$70,000 state highways and transportation department fund reallocated from the Division of Taxation.
- (\$593,534) and (24.5) staff in core reductions from the Fiscal Year 2004 appropriation level, including (\$45,761) general revenue.
- (\$500,000) federal funds core reduction for one-time expenditures.
- (\$295,248) state highways and transportation department fund and (eight) staff reallocated to the Division of Administration.

### **STATE TAX COMMISSION**

The State Tax Commission is responsible for maintaining equalized assessed land valuations among Missouri's 114 counties and the city of St. Louis. In carrying out these responsibilities, the commission hears appeals from local boards of equalization on individual cases and corrects assessments that it determines to be unlawful, unfair, or arbitrary. The commission also establishes the taxable valuation for public utility and railroad companies operating in Missouri.

#### **Fiscal Year 2005 Governor's Recommendations**

- \$50,989 for pay plan.
- (\$36,758) and (one) staff in core reduction from the Fiscal Year 2004 appropriation level.

**DEPARTMENT OF REVENUE  
DISTRIBUTIONS**

**FINANCIAL SUMMARY**

	FY 2003 EXPENDITURE	FY 2004 APPROPRIATION	GOVERNOR RECOMMENDS FY 2005
State Share of Assessment Maintenance Costs	\$ 16,218,433	\$ 14,985,668	\$ 14,985,668
Certification Compensation	99,225	85,680	85,680
County Stock Insurance Tax	150,000	0	0
Commercial Drivers' License Information System Fees	253,406	275,000	275,000
Problem Driver Pointer System	86,410	60,000	60,000
Attorney Fees	0	15,000	15,000
Motor Fuel Tax Distribution to Cities and Counties	181,561,500	188,000,000	188,000,000
Prosecuting Attorneys and Collection Agencies	2,292,034	2,728,000	2,728,000
County Filing Fees	171,635	200,000	200,000
Contingency Fees for Collection Enhancements	0	2,500,000	9,500,000
Contract Auditors	0	400,000	400,000
Tax Data Matching for Collection Enhancements	0	7,600,000	7,600,000
Multistate Tax Commission Dues	156,811	163,001	163,001
Debt Offset Transfer	10,219,907	10,512,884	10,512,884
Income Tax Refund Designations	371,772	333,224	334,224
<b>TOTAL</b>	<b>\$ 211,581,133</b>	<b>\$ 227,858,457</b>	<b>\$ 234,859,457</b>
General Revenue Fund	29,679,817	38,923,848	45,331,469
Conservation Commission Fund	0	34,609	171,718
State Highways and Transportation			
Department Fund	339,816	900,000	1,356,270
Motor Fuel Tax Fund	181,561,500	188,000,000	188,000,000

**STATE SHARE OF ASSESSMENT MAINTENANCE COSTS**

The state reimburses a portion of the costs and expenses for maintaining assessments by the county assessors and the St. Louis City assessor.

**Fiscal Year 2005 Governor's Recommendations**

Continue funding at the current level.

**CERTIFICATION COMPENSATION**

The state provides quarterly compensation to assessors, except those in first class charter counties, who maintain an education certification with the State Tax Commission.

**Fiscal Year 2005 Governor's Recommendations**

Continue funding at the current level.

**COMMERCIAL DRIVERS' LICENSING INFORMATION SYSTEM**

The federal Commercial Motor Vehicle Safety Act of 1986 required states to develop uniform commercial drivers' licensing systems or face the loss of federal highway funds. House Bill 3 (1989 Special Session) made the necessary changes to Missouri law to implement the commercial drivers' licensing information system.

**Fiscal Year 2005 Governor's Recommendations**

Continue funding at the current level.

## **DEPARTMENT OF REVENUE**

### **DISTRIBUTIONS (Continued)**

#### **PROBLEM DRIVER POINTER SYSTEM**

The federal government required states to implement a problem driver pointer system by April 1995 to identify and manage problem drivers or face the loss of federal highway funds.

#### **Fiscal Year 2005 Governor's Recommendations**

Continue funding at the current level.

#### **ATTORNEY FEES**

Section 302.536, RSMo, requires the Department of Revenue to pay court costs and attorney fees of persons who have an appellate court reversal of a Section 302.535, RSMo, (DWI) suspension or revocation.

#### **Fiscal Year 2005 Governor's Recommendations**

Continue funding at the current level.

#### **MOTOR FUEL TAX DISTRIBUTION TO CITIES AND COUNTIES**

Article IV, Section 30(a)(2), Constitution of Missouri, requires 15 percent of the net proceeds from the motor fuel tax collections be allocated to the incorporated cities, towns, and villages of the state to assist in the maintenance of streets and highways.

Article IV, Section 30(a)(1), Constitution of Missouri, requires that 10 percent of the net proceeds from motor fuel tax collections be distributed to the counties to assist in the maintenance of county roads, highways, and bridges. On August 4, 1992, voters approved Constitutional Amendment No. 8 to require that 15 percent of the net proceeds resulting from any increase in the motor fuel tax rate over the rate in effect on March 31, 1992, be distributed to the counties to assist in the maintenance of county roads, highways, and bridges.

#### **Fiscal Year 2005 Governor's Recommendations**

Continue funding at the current level.

#### **PAYMENTS TO PROSECUTING ATTORNEYS AND COLLECTION AGENCY FEES**

Section 136.150, RSMo, provides for payment of a collection fee of 20 percent of delinquent taxes, licenses, or fees recovered on behalf of the state by circuit or prosecuting attorneys. The collection fee is deposited in the county treasury with one-half of the fee for use by the attorney's office and one-half to be expended as the county determines. This incentive program provides additional resources to counties and a five-to-one benefit/cost ratio to the state.

Section 140.850, RSMo, authorizes the Department of Revenue to use commercial collection agencies to collect delinquent taxes owed by resident and non-resident taxpayers (individuals and businesses). The statutes permit payment of a collection fee not to exceed 25 percent of the amount collected.

#### **Fiscal Year 2005 Governor's Recommendations**

Continue funding at the current level.

#### **COUNTY FILING FEES**

The Department of Revenue is authorized to file tax liens on property owned by taxpayers that are delinquent in income tax or sales/use tax. County recorders charge the Department of Revenue a fee of \$3.00 for the filing of each tax lien and a fee of \$1.50 for each release of a tax lien filed on property owned by taxpayers that are delinquent in income tax or sales/use tax.

#### **Fiscal Year 2005 Governor's Recommendations**

Continue funding at the current level.

## **DEPARTMENT OF REVENUE**

### **DISTRIBUTIONS (Continued)**

#### **CONTINGENCY FEES FOR COLLECTION ENHANCEMENTS**

The Department of Revenue will contract with a private firm to generate additional collections through enhancements to its Computerized Assisted Collection System (CACS). The vendor will be paid only to the extent that the enhancements generate additional revenue in excess of an agreed upon baseline amount.

#### **Fiscal Year 2005 Governor's Recommendations**

- \$7,000,000 to complete the CACS upgrade, including \$6,406,621 general revenue.

#### **CONTRACT AUDITORS**

The Department of Revenue will contract by competitive bid for the processing of some business tax audits. The department does not have sufficient personnel to handle the research, analysis, and completion of all corporation audits. Therefore, the contract auditors will be able to identify new audit leads and complete the additional tax audits.

#### **Fiscal Year 2005 Governor's Recommendations**

Continue funding at the current level.

#### **TAX DATA MATCHING FOR COLLECTION ENHANCEMENTS**

The tax data matching system allows the department to enhance the collection process by focusing on habitually delinquent accounts and those that avoid tax filing and payment to the state.

#### **Fiscal Year 2005 Governor's Recommendations**

Continue funding at the current level.

#### **MULTISTATE TAX COMMISSION DUES**

The Multistate Tax Commission and Compact facilitate determination of the tax liability of multi-state taxpayers, promote uniformity and compatibility in tax systems, avoid duplicative taxation, and provide taxpayer convenience in filing tax returns.

#### **Fiscal Year 2005 Governor's Recommendations**

Continue funding at the current level.

#### **DEBT OFFSET TRANSFER**

Chapter 143, RSMo, provides a mechanism to offset debts owed to the state against tax refunds payable to the debtor. The Department of Revenue transfers to the Office of State Treasurer the amount of the debt certified to be owed to a state agency in an amount not exceeding the tax refund claimed. Any amount in excess of the debt is forwarded to the taxpayer. Upon settlement of the claim through the established administrative hearings process, the escrow funds are returned to the state agency and/or the payee.

#### **Fiscal Year 2005 Governor's Recommendations**

Continue funding at the current level.

## DEPARTMENT OF REVENUE

### DISTRIBUTIONS (Continued)

#### INCOME TAX CHECK-OFF REFUND DESIGNATIONS

State statutes permit individuals and corporations to contribute a portion of any income tax refund that they are owed to five separate state trust funds. The five trust funds include the Children's Trust Fund (Section 210.174, RSMo); the Division of Aging Elderly Home Delivered Meals Trust Fund (Section 660.078, RSMo); the Veterans' Trust Fund (Section 42.140, RSMo); the Missouri National Guard Trust Fund (Section 41.215, RSMo); and the Workers Memorial Fund (Section 143.1025, RSMo). The amounts designated by taxpayers for distribution to the five trust funds are transferred from the general revenue fund.

#### Fiscal Year 2005 Governor's Recommendations

- \$1,000 for transfer to the workers memorial fund.

## DEPARTMENT OF REVENUE

### STATE LOTTERY COMMISSION

The Missouri State Lottery was established by voter approval of Constitutional Amendment No. 5 on November 6, 1984. On August 2, 1988, voters approved Constitutional Amendment No. 3 to revise the lottery prize structure and certain promotional restrictions.

#### Fiscal Year 2005 Governor's Recommendations

- \$132,765 lottery enterprise fund for pay plan.
- (\$69,732) lottery enterprise fund and (two) staff in core reduction from the Fiscal Year 2004 appropriation level.

	FY 2003 EXPENDITURE	FY 2004 APPROPRIATION	GOVERNOR RECOMMENDS FY 2005
Operating Expense			
Personal Service	\$ 6,328,819	\$ 6,650,559	\$ 6,713,592
Expense and Equipment	37,775,694	35,409,678	35,409,678
Prizes	<u>79,786,470</u>	<u>80,000,000</u>	<u>80,000,000</u>
TOTAL			
Lottery Enterprise Fund	\$ 123,890,983	\$ 122,060,237	\$ 122,123,270
Full-time equivalent employees	181.20	178.50	176.50

### LOTTERY ENTERPRISE FUND TRANSFER

Section 39(b) of Article III of the Missouri Constitution provides that a minimum of 45 percent of moneys received from the sale of lottery tickets shall be paid as prizes. On August 4, 1992, voters approved Constitutional Amendment No. 11 to dedicate net lottery proceeds to fund public institutions of elementary, secondary, and higher education.

#### Fiscal Year 2005 Governor's Recommendations

- \$205,600,000 lottery enterprise fund transfer to the lottery proceeds fund.

	FY 2003 EXPENDITURE	FY 2004 APPROPRIATION	GOVERNOR RECOMMENDS FY 2005
Lottery Enterprise Fund	\$ 193,940,550	\$ 192,443,239	\$ 205,600,000

# DEPARTMENT OF SOCIAL SERVICES

## FINANCIAL SUMMARY

	FY 2003 EXPENDITURE	FY 2004 APPROPRIATION	FY 2005 REQUEST	GOVERNOR RECOMMENDS FY 2005
Office of Director/Administrative Services	\$ 55,706,937	\$ 76,695,001	\$ 71,978,600	\$ 72,293,641
Family Support Division	582,418,505	496,755,137	495,089,190	503,739,492
Children's Division	406,775,198	502,759,442	513,051,507	515,472,543
Division of Youth Services	56,623,502	58,691,640	58,695,567	59,610,794
Division of Medical Services	4,547,771,999	4,424,398,846	5,075,359,153	5,072,178,244
DEPARTMENTAL TOTAL	\$ 5,649,296,141	\$ 5,559,300,066 *	\$ 6,214,174,017	\$ 6,223,294,714
General Revenue Fund	1,106,405,491	1,203,065,524	1,461,503,843	1,388,606,574
Federal Reimbursement Allowance Fund	636,367,882	639,024,174	639,024,174	619,417,017
Pharmacy Reimbursement Allowance Fund	48,578,108	63,121,242	63,148,557	63,148,557
Title XIX - Federal and Other Funds	2,472,196,686	2,373,102,138	2,727,348,347	2,727,862,616
Nursing Facility Federal Reimbursement Allowance Fund	181,545,953	193,253,784	218,253,784	218,253,784
Temporary Assistance for Needy Families - Federal Funds	162,667,584	154,858,388	159,358,388	159,730,494
DSS - Federal and Other Funds	537,524,892	579,680,624	571,266,925	576,612,160
Uncompensated Care Fund	91,179,332	87,900,001	87,900,001	91,000,001
Pharmacy Rebates Fund	77,886,599	60,410,679	83,550,869	96,551,200
Third Party Liability Collections Fund	14,689,951	15,220,250	15,219,339	12,645,805
Intergovernmental Transfer Fund	164,043,831	33,000,000	33,000,000	114,600,000
Division of Family Services Donations Fund	11,250	134,000	134,000	134,000
Child Support Enforcement Collections Fund	12,956,898	13,907,496	13,453,605	13,626,532
Nursing Facility Quality of Care Fund	80,209	81,627	80,314	81,716
Health Initiatives Fund	19,790,128	20,272,488	20,500,691	20,523,104
Gaming Commission Fund	500,000	500,000	500,000	500,000
DSS Administrative Trust Fund	4,791,072	6,229,503	6,228,568	6,229,279
DSS Educational Improvement Fund	4,679,882	6,237,835	5,502,984	5,555,357
Blind Pension Fund	19,319,532	23,257,577	24,132,316	24,148,400
Healthy Families Trust Fund-Health Care Treatment and Access Account	50,953,976	50,959,100	50,959,100	50,959,100
Legal Services for Low-Income People Fund	1,010,830	2,000,000	0	0
Youth Services Product Fund	0	0	25,000	25,000
Youth Services Treatment Fund	0	1,000	1,000	1,000
Early Childhood Development, Education and Care Fund	27,888,061	16,077,696	16,077,272	16,078,078
Premium Fund	3,127,034	4,837,940	4,837,940	4,837,940
Alternative Care Trust Fund	11,100,960	12,167,000	12,167,000	12,167,000
Full-time equivalent employees	9,049.44	8,906.22	8,636.22	8,646.84

\* Does not include \$207,520,526 recommended in the Fiscal Year 2004 Supplemental Appropriations, including \$20,259,276 general revenue. See the Supplemental section of the Missouri Budget for details regarding the Department of Social Services supplemental appropriations.



## **DEPARTMENT OF SOCIAL SERVICES**

### **POLICY SUMMARY**

Governor Holden's budget for Fiscal Year 2005 provides a total of \$6.2 billion for the Department of Social Services. Each day the department provides services for over two million Missourians. The core functions provided by the Department of Social Services include:

#### **Children's Division**

- A new division, dedicated to protecting the welfare of children, was created as a result of the reorganization of the department in 2003. Reassigning the child protection programs formerly in the Division of Family Services to the new Children's Division helps to better address the health and safety of Missouri's children. The programs include foster care, child abuse and neglect investigations, children's treatment, purchase of childcare, and adoption assistance.

#### **Income Maintenance**

- As a result of the reorganization of the department in 2003, the new Family Support Division is responsible for all income support programs. The programs administered by the division include: Temporary Assistance for Needy Families, Food Stamps, Energy Assistance, Blind Pension, Supplemental Aid to the Blind, Domestic Violence, and Medicaid eligibility. In addition, the Family Support Division now administers many of the child support functions previously performed by the Division of Child Support.

#### **Youth Services**

- The Division of Youth Services provides case management, community care, and aftercare to youth committed to the state's custody for various crimes. The Juvenile Court Diversion Program works with local communities to help prevent juvenile crime and provide treatment for youth in their own communities.

#### **Medicaid Programs**

- The Division of Medical Services is responsible for the efficient and effective delivery of health care to the state's neediest citizens, including the elderly and the disabled, poor children, and working parents.

## **MAKING LIFE BETTER FOR CHILDREN**

Governor Holden ordered a review of the child welfare system in 2003 as the result of the tragic death of a Missouri child. In response to the findings of the review, the Governor directed a reorganization of the department and created a division which focused on the health and safety of children. Together with the Judiciary, the General Assembly and child advocates from across the state, the Governor has worked to develop a comprehensive system to protect all children. While there have been many changes in Missouri's Child Welfare Program, some areas are still in need of improvement. In order to strengthen the state's child welfare system and expand the opportunities for youth in state custody, the Governor recommends:

- \$9.3 million, including \$6.1 million general revenue, to begin the process of gaining national accreditation for the state's Child Welfare Program from The Council on Accreditation. Children facing abuse or neglect deserve to have a trained and dedicated child welfare team to intervene on their behalf. Building a quality system requires the proper training for child welfare workers and assigning an appropriate number of staff to accomplish the demanding job of protecting every child in the state's care.
- \$1.1 million, including \$521,826 general revenue, to provide fingerprint checks against the Missouri Highway Patrol and the National FBI databases for all those who provide care for children in state custody.
- \$733,283 to provide services for the care, education, and rehabilitation of youth committed to the Division of Youth Services.
- \$25,000 other funds to allow the Division of Youth Services to reinvest proceeds from items made by youth involved in treatment programs to support the ongoing cost to make such products. As a result of this funding, youth can develop skills and pride in creating functional crafts to be sold to the public.

## **DEPARTMENT OF SOCIAL SERVICES**

### **POLICY SUMMARY (Continued)**

#### **PROMOTING SELF-SUFFICIENT INDIVIDUALS AND FAMILIES**

While providing a safety net for Missouri's citizens who are in temporary need of financial assistance, the department administers programs that can help individuals reach self-sufficiency. The services provided prepare individuals to enter the job market and overcome barriers that prevent them from retaining employment. The Governor recommends:

- \$924,697 other funds to provide services for an additional 73 Missourians that are eligible for the Blind Pension Program and to increase the monthly benefit payment to all Blind Pension recipients from \$470 to \$479 per month.
- \$5.9 million, including \$5 million general revenue, to provide a cash benefit of \$45 per month to each recipient of the General Relief Program. This benefit can help individuals make copayments on medication or subsidized rental payments. This is the only cash benefit program available to disabled individuals waiting for a social security disability decision.
- \$926,211 federal funds to provide two annual nurse visits in accordance with SB 556 and 311 (2003) to assess elderly clients in cases where there may be abuse or neglect. These visits support efforts that strengthen the ability of the elderly to remain in their homes and communities. The Department of Health and Senior Services has transferred \$586,464 general revenue to the Department of Social Services to support these visits.

In addition, Missouri received two Temporary Assistance for Needy Families (TANF) bonuses from the federal government as a result of high performance in a variety of program categories during Fiscal Years 2001 and 2002. These one-time bonuses totaling \$21.7 million will be invested in programs and technology to help recipients achieve self-sufficiency and help move Missourians from welfare to work. The Governor recommends:

- \$6.5 million federal funds for the anticipated caseload growth in the TANF Program in Fiscal Years 2004 and 2005.
- \$6.8 million federal funds for communication equipment to increase the accuracy and timeliness of application processing for all Income Maintenance programs.
- \$1 million federal funds to help ensure childcare is available for the children of TANF recipients moving from welfare to work.
- \$900,000 federal funds for maintenance of the FAMIS computer system to improve the efficiency of Income Maintenance programs.
- \$4 million federal funds to the Department of Economic Development to provide training for TANF recipients as they prepare to enter employment.
- \$2.5 million federal funds for the Department of Economic Development to help establish a career ladder for TANF recipients moving from welfare to work. Many working parents remain below the poverty level at entry-level jobs. This program will work with employers to help move TANF recipients out of poverty.

#### **STRENGTHENING HEALTH CARE COVERAGE AND ACCESS**

Governor Holden supports continued health care coverage for Missouri's most vulnerable citizens. Ways to deliver services in the most cost effective manner possible are continually being explored by the department. Missouri is working to strengthen health care coverage through funding that sustains current Medicaid programs, meets the needs of changing caseloads, and recognizes increased pharmacy costs.

In addition, health care access for the elderly and disabled will improve by increasing the federal poverty level used to determine eligibility from 90 percent to 100 percent. This completes expansion efforts that began with HB 3 which passed during the special legislative session of 2001. The eligibility expansion increases the number of individuals with access to needed health care. Approximately 20,000 elderly and persons with disabilities will be eligible to receive full Medicaid coverage. The Governor recommends:

- \$21.1 million, including \$8.2 million general revenue, to expand Medicaid eligibility for the elderly and disabled from 90 percent of the federal poverty level to 100 percent of the federal poverty level.

## DEPARTMENT OF SOCIAL SERVICES

### POLICY SUMMARY (Continued)

#### MEDICAID COST CONTROLS

Despite Medicaid costs increasing at a lower rate in 2003 (9.3 percent) than 2002 (12.8 percent), according to a survey by the Kaiser Commission on Medicaid and the Uninsured, Medicaid Program enrollment in Missouri continues to increase. Because of rising health care costs and the crisis Missouri is currently experiencing with stagnant revenues, the Governor's budget includes numerous cost containment measures to curtail escalating Medicaid expenditures. Even with the implementation of these cost control efforts in the state's Medicaid Program, Governor Holden remains committed to ensuring children continue to receive access to vital health care. During the 2004 session, legislation will be proposed to align state statutes with the Governor's Fiscal Year 2005 cost control proposal. Fiscal Year 2005 cost control efforts include:

##### Pharmacy cost containment

Fiscal Year 2005 cost containment measures include expansion of disease management and case management efforts. Diseases currently included in the disease state management initiative are asthma, diabetes, chronic heart failure, and depression. Program expansion may include chronic obstructive pulmonary disease, high blood pressure, hyperlipidemia, and gastroesophageal reflux disease/peptic ulcer. Estimated general revenue savings in Fiscal Year 2005 for this pharmacy cost containment proposal are \$1.7 million. The continued implementation of the preferred drug list will save about \$17.4 million additional general revenue.

##### Copayments for medical services

Governor Holden recommends copayment requirements on recipients receiving medical services in the Medicaid Program. Nominal copayments should encourage prudent use of services and are consistent with private industry practice and cost containment efforts undertaken by other states. In-home services, nursing homes, and children's services are not included. Estimated general revenue savings in Fiscal Year 2005 are \$9.9 million.

##### Lowering the asset test for the State Children's Health Insurance Program (SCHIP)

Asset limits for the SCHIP will be reduced from \$250,000 to \$25,000. The asset limit also will be redefined for consistency with other Medicaid eligibles, including resource exclusions of the homestead, one vehicle, property used directly by the claimant in the course of claimant business, and all assets currently excluded for the elderly and persons with disabilities. The limit reduction will affect approximately one percent of current SCHIP recipients. This change is necessary to ensure only those families who cannot afford private insurance are covered by SCHIP. Estimated general revenue savings in Fiscal Year 2005 are \$105,520.

##### Streamlining certain reimbursements to the Medicare rate

The Governor recommends limiting the reimbursements to physicians and nursing facilities to amounts that, with the Medicare payment, do not exceed what the state's Medicaid Program would have paid for that service. Missouri will join five other states that have implemented this type of provider payment cost control. Estimated general revenue savings in Fiscal Year 2005 are \$17 million.

##### Reducing Non-Emergency Medical Transportation (NEMT) costs

As a method to generate additional savings in the Medicaid Program, the Division of Medical Services will discontinue the existing contract for NEMT as of June 30, 2004, and rebid it in order to better control costs. In addition, this change will enhance the federal match rate on NEMT. Estimated general revenue savings for Fiscal Year 2005 are \$2.4 million.

##### Medical support orders

A revenue maximization project has been initiated to evaluate potential savings from medical support orders. These orders will shift health care expenditures for children from Medicaid to the private health insurance policies of their non-custodial parents. The savings from this effort will be determined as the project progresses.

##### Other cost control efforts

Efforts to increase recovery of third party revenues will be bolstered with the addition of staff who will work to recoup Medicaid expenditures from private insurers. In addition, the department will implement a Medicare Correct Coding Initiative which may result in savings in physician services. Estimated general revenue savings are \$1.7 million in Fiscal Year 2005.

In order to address health care cost increases, the Governor's Fiscal Year 2005 budget includes:

- \$220.6 million, including \$77.6 million general revenue, for the additional anticipated costs of existing Medicaid programs.
- \$191 million, including \$74.5 million general revenue, for increased costs and utilization of the Pharmacy Program.
- \$140.5 million, including \$38.9 million general revenue, for anticipated caseload increases.
- \$42.9 million, including \$15.4 million general revenue, to fund the managed care trend factor. The July 2004 through December 2004 managed care trend factor is 11 percent in the eastern and central regions and 7 percent in the western region. For January 2005 through June 2005, the pharmacy inflation factor is 13 percent with the non-pharmacy increase set at 5 percent.
- \$32 million federal funds for enhanced payment rates targeted to improve the quality of care for nursing home residents.
- \$8 million, including \$3.1 million general revenue, for increases in Medicare Part A and B premiums.

## DEPARTMENT OF SOCIAL SERVICES

### POLICY SUMMARY (Continued)

#### IMPROVED EFFICIENCY

Missouri has always been a low tax state and has, therefore, provided only essential services at a very low cost. The state's already low tax level combined with two consecutive years of declining revenue have led to significant reductions in many programs. However, under Governor Holden's leadership, state agencies have minimized the negative impact on services by dramatically reducing administrative costs and by developing ways to provide remaining services in the most efficient way possible.

The Department of Social Services has aggressively improved the services it provides and reduced administrative costs by:

- Identifying significant savings through the Medicaid Pharmacy Program. In Fiscal Years 2002 and 2003, pharmacy cost containment measures, such as prior authorization and clinical edits, led to a savings of \$336 million in state and federal funds. These cost containment measures included special reviews of patients with chronic diseases to improve patient health and reduce drug costs. Efforts to improve health for clients also involved monitoring to avoid over-medication or negative drug interactions, making sure the most efficient drug dosage is prescribed, and using Tele-Medicine to improve patient access to appropriate physician care. Missouri will continue to add additional containment measures, including implementation of a preferred drug list.
- Improving the administration of the Medicaid Program by containing administrative costs relative to program expenditures. In a recent workforce study, Missouri ranked third best in administrative efficiency out of 20 state Medicaid programs.
- Developing a comprehensive, statewide approach to ease the transition of clients affected by federally mandated changes in the spenddown policy of the Medicaid Program.
- Implementing a series of program management efficiency efforts in Missouri's health care plan for low-income children. The efficiency efforts were designed to provide more timely updating of claimant address changes and case closing information into its records system, all resulting in faster claims processing.
- Improving the way the Division of Medical Services (DMS) communicates information to service providers and the public, including increased utilization of Internet and web-based services. Processes involving recipient services also have been streamlined to reduce patients' needs to make repeated contacts to DMS for information. The division's web site was also redesigned to include easy access to public documents and educational information about the Managed Care Program.
- Implementing a department reorganization in Fiscal Year 2004, which has resulted in department-wide efficiencies and provided focus on improving the welfare of children. Concentrating financial support services into the Family Support Division strengthened the department's ability to help families reach their goal of self-sufficiency.
- Making progress in finding adoptive homes for youths in state care and custody. Finalized adoptions have doubled since Fiscal Year 1998, with 1,261 completed adoptions in Fiscal Year 2001 and 1,517 in Fiscal Year 2002. This performance has resulted in Missouri receiving approximately \$1.4 million in incentive awards from the federal government for these two fiscal years.
- Improving program integrity through technology changes that will enhance the review of recipient assets and eligibility through better screening and application processing. Estimated general revenue savings in Fiscal Year 2005 are \$202,606.

#### CUTS ALREADY MADE

The Department of Social Services has worked to minimize the impact of reduced funding on services. However, the department's funding for services has been cut in recent years.

- A \$75 million state and federal funds cut to Medicaid eligibility in Fiscal Year 2003 resulted in approximately 34,300 Missourians losing health care. This cut means parents in families of three who earn more than \$11,760 per year no longer qualify for Medicaid. The cut also reduced women's health care services; transitional medical assistance for low-income families transitioning from welfare to work; and coverage for low-income, non-custodial parents who were current on their child support payments or participating in the Parent's Fair Share Program. With the loss of access to preventative care, it is possible that many have ended up in emergency rooms and hospitals with more expensive health care needs.

## DEPARTMENT OF SOCIAL SERVICES

### POLICY SUMMARY (Continued)

- The Grandparents as Foster Parents Program was reduced by a total of \$10.3 million from Fiscal Years 2002 to 2004. Eligible participants have had their reimbursement rate reduced from 75 percent to 25 percent of the foster care rate. This reduces the payment rate from \$202 to just \$68 per month for the 2,500 children served by the program. This has created a financial burden for grandparents who have accepted the responsibility of raising their grandchildren on a fixed income.
- Funding of \$648,792 for the CHOICES Program, which assists foster care youth between the ages of 13 and 15 in becoming responsible adults, was eliminated. This program prepared approximately 1,020 youth annually for the Independent Living Program.
- Community Partnerships were cut by \$4.9 million in Fiscal Years 2002 to 2004, reducing services to more than 70,000 children and low-income families. The 21 Community Partnerships are local decision-making entities that work with state government to coordinate planning, development, and financing of services for children and families. They have been productive in using general revenue funding to leverage local and federal funds to address the social problems of their communities.
- \$2.2 million for cash assistance to legal immigrants was eliminated for about 350 families who cannot qualify for Temporary Assistance. Without access to any safety net, these families are vulnerable, due to language and cultural barriers, to becoming homeless and living in poverty.
- The Juvenile Court Diversion Program was cut by \$1.6 million, reducing the services to 2,000 at-risk youth and 21,000 other youth across the state. Juvenile courts lost 29 percent of the funding received from DSS to help divert juveniles from commitment to the Division of Youth Services.

**DEPARTMENT OF SOCIAL SERVICES  
DEPARTMENTAL ADMINISTRATION**

**ADMINISTRATIVE SERVICES**

Departmental Administration includes the director, the director's staff, and the personnel and labor relations section. The director sets policy for the department, forges public/private partnerships to help meet department goals, and ensures implementation of its mandates. The personnel and labor relations section administers a personnel program and human resource management system to serve the department's employees.

The Division of Budget and Finance provides a centralized budgeting and expenditure review and control process and manages federal grants with a value of over \$5 billion. Additional responsibilities include maintenance of support mechanisms to ensure timely payments to clients, vendors and staff, and timely receipt and disposition of the department's revenues.

The Division of General Services provides a variety of services that support the operations of the department, including operating the department's centralized mailing center that processes over 23 million pieces of mail annually, working with telecommunications systems, providing necessary minor office renovations, and coordinating the inventory and distribution of office equipment and furniture.

The Division of Legal Services is responsible for providing legal services for all of the divisions within the department, due process hearings for recipient appeals, legal advice and representation for children in the custody of the Children's Division, investigating fraud and abuse of public assistance programs, and conducting background investigations on department employees prior to employment. The division also includes the State Technical Assistance Team (STAT) responsible for assisting in the investigation of child abuse and neglect, child exploitation, and child fatality cases.

The Information Services and Technology Division is responsible for the development, maintenance, and operation of the department's data processing systems, including mainframe and PC network operations. The division processes data on recipients and vendors, prints checks and vendor payments, provides technical support, and provides management reports to other divisions in the department.

**Fiscal Year 2005 Governor's Recommendations**

- \$346,148 for pay plan, including \$167,907 general revenue.
- (\$2,000,000) other funds core reduction in Legal Aid Grants.
- (\$1,946,239) federal funds and (4.18) staff in core reduction due to excess federal authority.
- (\$469,629) and (11.13) staff in core reduction from the Fiscal Year 2004 appropriation level, including (\$248,986) general revenue.
- (\$304,040) federal funds reallocated from Federal Grants and Donations to the Children's Division for adoption continuum grant funding.
- (\$27,600) one-time core reduction from savings related to the National Medical Support Notice, including (\$9,384) general revenue.

**DEPARTMENT OF SOCIAL SERVICES  
FAMILY SUPPORT DIVISION**

**FAMILY SUPPORT ADMINISTRATIVE SERVICES**

Administrative Services provides management, coordination, and general direction to all Family Support Division programs. The division director and staff monitor the efficiency and effectiveness of and provide policy direction for Income Maintenance and Child Support programs. Administrative Services also provides financial management and operational services, human resource support, and systems support to Income Maintenance and Child Support Enforcement field staff.

**Fiscal Year 2005 Governor's Recommendations**

- \$1,020,327 cost-to-continue for increased Electronic Benefits Transfer (EBT) expenses due to food stamp caseload growth included in the Fiscal Year 2004 supplemental request and to fund Fiscal Year 2005 projected monthly caseload growth, including \$543,732 general revenue.
- \$367,500 for contract expenses related to the medical support orders revenue maximization project, including \$124,950 general revenue.
- \$87,000 to fund system changes needed to meet requirements for SB 556 and 311 (2003), including \$43,500 general revenue.
- \$146,420 for pay plan, including \$16,164 general revenue.
- (\$489,173) federal funds and (5.89) staff in core reduction due to excess federal authority.
- (\$474,297) and (11) staff in core reduction from the Fiscal Year 2004 appropriation level, including (\$90,846) general revenue.
- (\$437,490) and (15) staff reallocated to Child Support Enforcement field staff, including (\$148,746) general revenue.
- (\$90,383) and (4.5) staff reallocated to the Children's Division for reorganization of the department that occurred in Fiscal Year 2004, including (\$11,751) general revenue.
- (\$89,276) one-time core reduction from the Fiscal Year 2004 appropriation level, including (\$30,354) general revenue.

**INCOME MAINTENANCE**

Income Maintenance staff provides intake services, information and referral, and eligibility determinations for applicants of financial services provided by the department. Funds in these sections support the salaries, general operating expenses and training for Income Maintenance caseworkers, administrative and supervisory staff, and clerical support positions in Family Support offices.

Temporary Assistance for Needy Families (TANF) – TANF is a program designed to provide temporary assistance/relief to families to promote self-sufficiency so parents do not remain dependent on welfare payments and children do not grow up in poverty. Under the federal welfare reform in 1996, TANF was designed to be a temporary assistance which, coupled with a myriad of other support services, would enable parents to find and retain employment; thereby, enabling them to support their families without government assistance. Missouri continues to implement new, innovative programs designed to meet the diverse needs of TANF recipients.

Adult Supplementation – The federal government assumed responsibility for Old Age Assistance, Aid to the Permanently and Totally Disabled, and Aid to the Blind programs in January 1974 when it created the Supplemental Security Income (SSI) Program. Recipients who are eligible for SSI, but who receive smaller benefits than their December 1973 payments, receive payments from the state equal to the difference. Recipients who are not eligible for SSI, but who received payments under one of the earlier programs, receive payments from the state equal to the amount they received in December 1973. The caseload has been declining since 1973 as recipients die, become ineligible through income changes, or leave the state.

Grandparents as Foster Parents – Caring for a grandchild often places additional financial, social, and psychological strain on grandparents with fixed incomes. Grandparents as Foster Parents was established to provide payments to grandparents who have either legal guardianship or legal custody of their minor grandchildren.

Nursing Care – This state-funded program makes monthly cash payments to residents of nursing and residential care homes who are eligible for Medicaid, but occupy a facility not certified for Medicaid, or who receive care in a Residential Care I or II facility. The type of facility appropriate for clients is to a great extent dictated by their level of need for care. Minimal medical care is provided in Residential Care I, more in Residential Care II, and significantly more in Intermediate Care. Supplemental Nursing Care recipients also are provided an allowance each month for personal needs such as toiletries, transportation, and hair care.

Blind Pension and Supplemental Aid to the Blind – Three separate programs assist blind persons. The first, Supplemental Aid to the Blind, pays benefits to those who meet certain income requirements. The second, Blind Pension, aids the blind that do not qualify for Supplemental Aid to the Blind and who do not own property – excluding homes – worth more than \$20,000. Currently both programs provide a maximum monthly grant of \$470 unless the claimant qualifies for a higher payment by residing in a licensed nursing home. The third program, Adult Supplemental Payments, aids those who received state assistance before the federal SSI Program began in 1974, but who receive less from SSI than from the earlier program. New cases that meet the state's 1973 guideline also may be certified for assistance. All of these programs are funded from an earmarked state property tax that provides revenue to the blind pension fund.

**DEPARTMENT OF SOCIAL SERVICES  
FAMILY SUPPORT DIVISION**

**INCOME MAINTENANCE (Continued)**

Community Services Block Grant (CSBG), Emergency Shelter Grants, Homeless Funding, and Refugee Assistance – CSBG funds are used to address six causes of poverty: unemployment, inadequate education, malnutrition, inadequate housing, unmet emergency needs, and poor use of income. Federal statutes require that 90 percent of CSBG funding be passed through to Community Action Agencies. The Emergency Shelter Grants Program provides grants to local governments to be used for renovation or conversion of buildings for emergency shelters and to help meet the cost of emergency shelter operations. Homeless Challenge Grants offer local communities matching funds to establish programs to combat homelessness. The Refugee Assistance Program provides services to help refugees overcome language barriers, acquire or adapt vocational skills, and adjust to their new environment.

Food Distribution – The federally funded Food Distribution Program enables Family Support to store, ship, and distribute processed surplus commodity food to eligible individuals, families, charitable institutions, and organizations.

Energy Assistance – The Low-Income Home Energy Assistance Program (LIHEAP) is a federally funded block grant which provides heating assistance payments, crisis assistance, and weatherization services to low-income households.

Domestic Violence – This program provides grants to local communities for family violence shelters or services. Grants may be used for emergency shelters, counseling, and education services for families in community-based shelters.

**Fiscal Year 2005 Governor's Recommendations**

- \$5,900,000 to provide a \$45 monthly benefit for General Relief recipients, including \$5,000,000 general revenue.
- \$4,500,000 federal funds for caseload growth in the TANF Program.
- \$509,626 other funds for caseload growth in the Blind Pension Program.
- \$467,194 for anticipated caseload growth in the Supplemental Nursing Care Program.
- \$458,937 cost-to-continue the Fiscal Year 2004 supplemental appropriation payments due to the caseload growth to the Supplemental Nursing Care Program.
- \$415,071 other funds to increase the Blind Pension benefit payment by \$9 per month.
- \$201,597 to implement the program integrity initiatives which will result in savings for Income Maintenance programs, including \$135,070 in general revenue.
- \$1,713,513 for pay plan, including \$511,304 general revenue.
- (\$2,015,975) and (56.04) staff in core reduction from the Fiscal Year 2004 appropriation level, including (\$356,058) general revenue.
- (\$1,500,000) reallocated to the Children's Division for reorganization of the department that occurred in Fiscal Year 2004, including (\$448,500) general revenue.
- (\$25,000) core reduction in the Adult Supplemental Payments Program due to caseload decline.
- (49.31) staff core reduction due to privatization of the Energy Assistance Program.

**SERVICES FOR THE BLIND**

Professional staff in Rehabilitation Services for the Blind counsel and train blind and other visually impaired Missourians, arrange for the purchase of other services, and help the visually impaired find jobs. Services include rehabilitation, vocational rehabilitation, diagnosis and treatment of eye disease, equipment and supplies for blind preschool children, the Public Building Vending Program, and the Readers for the Blind Program.

**Fiscal Year 2005 Governor's Recommendations**

- \$70,920 federal and other funds for pay plan.
- (\$450,670) federal and other funds and (11.66) staff in core reduction from the Fiscal Year 2004 appropriation level.

**CHILD SUPPORT ENFORCEMENT AND DISTRIBUTIONS**

Child Support Enforcement staff, with the assistance of the Missouri Automated Child Support System (MACSS), locate missing parents; establish paternity, medical support, and financial child support obligations; and enforce the collection of support payments for TANF and for participating non-TANF families. The state retains approximately 33 percent of all child support collected on TANF cases.

Local Agreements – This funding supports contractual agreements with local governments to assist the division with paternity and other types of child support referrals through the establishment of multi-county full-service centers. Counties pool resources to establish service centers dedicated to child support work.



**DEPARTMENT OF SOCIAL SERVICES  
FAMILY SUPPORT DIVISION**

**CHILD SUPPORT ENFORCEMENT AND DISTRIBUTIONS (Continued)**

Reimbursement to Counties – This program provides reimbursement to counties that have signed a cooperative agreement with the Department of Social Services (DSS). Child support collection and prosecution costs incurred by the counties are reimbursed by the federal government at a rate of 66 percent.

Federal Reimbursement/Local Incentives – This appropriation provides a mechanism to disburse payments to families when the payment was collected by the department, to pay federal incentives to the county governments, and to refund some overpayments from income tax returns.

State Tax Refund Distribution – This appropriation provides a mechanism for reimbursing non-custodial parents for child support payments over-collected from state tax returns.

**Fiscal Year 2005 Governor's Recommendations**

- \$59,248 federal and other funds to implement the program integrity initiatives in the Child Support Enforcement Program.
- \$563,310 for pay plan, including \$8,537 general revenue.
- \$437,490 and 15 staff reallocated from Family Support Division Administration for Child Support Enforcement field staff, including \$148,746 general revenue.
- (\$4,038,118) and (50.1) staff in core reduction from the Fiscal Year 2004 appropriation level, including (\$355,199) general revenue.
- (\$323,416) transferred to the Department of Revenue, including (\$33,062) general revenue.

**DEPARTMENT OF SOCIAL SERVICES  
FAMILY SUPPORT DIVISION**

**FINANCIAL SUMMARY**

	FY 2003 EXPENDITURE	FY 2004 APPROPRIATION	GOVERNOR RECOMMENDS FY 2005
Number of Families Receiving TANF (Annually)	46,734	48,539	50,252
Average Monthly Payment Per Household	\$235	\$235	\$235
Family Support Administration	\$ 11,055,665	\$ 27,356,861	\$ 27,397,489
Family Services Administration	166,694,848	0	0
Income Maintenance Field Staff and Operations	0	93,484,591	91,940,789
Income Maintenance Staff Training	0	677,837	677,837
Community Partnerships	15,871,804	10,119,613	10,067,467
Direct Client Support	10,194,692	0	0
Food Stamp Training	3,852,828	5,380,036	5,370,232
Temporary Assistance for Needy Families (TANF)	133,099,627	135,833,466	140,333,466
Grandparent Foster Care	6,015,068	2,403,070	2,403,070
Adult Supplementation	191,497	210,000	185,000
Supplemental Nursing Care	25,496,511	25,538,684	26,464,815
General Relief	9,348,032	100,000	6,000,000
Supplemental Security Income	2,516,479	4,000,000	4,000,000
Blind Pension	18,567,876	20,580,572	21,505,269
Refugee Assistance	3,724,555	3,812,553	3,812,553
Community Services Block Grant	18,170,596	19,144,171	19,144,171
Homeless Challenge Grant	407,584	500,000	500,000
Emergency Shelter Grants	1,340,000	1,340,000	1,340,000
Food Distribution Programs	1,000,000	1,000,000	1,000,000
Energy Assistance	41,147,463	40,794,695	40,799,582
Domestic Violence	5,330,115	5,987,653	5,987,653
Blind Administration	4,138,083	5,051,084	4,671,334
Services for the Visually Impaired	6,337,959	6,734,935	6,734,935
Parent's Fair Share Program	1,520,821	0	0
Child Support Field Staff and Operations	0	38,915,316	35,613,830
Child Support Enforcement Administration	46,323,280	0	0
Child Support Distributions	50,073,122	47,790,000	47,790,000
TOTAL	\$ 582,418,505	\$ 496,755,137	\$ 503,739,492
General Revenue Fund	118,456,853	87,586,735	93,545,353
Department of Social Services - Federal Funds	421,940,685	374,171,240	374,584,938
Other Funds	42,020,967	34,997,162	35,609,201

## DEPARTMENT OF SOCIAL SERVICES

### CHILDREN'S DIVISION

The Children's Division Administrative Services provides management, coordination, and general direction for all Children's Division programs. The division director and staff monitor the effectiveness of programs that promote permanency for Missouri's children. Administrative Services provides policy direction, financial management and operational services, and human resource support to field staff.

Purchase of Childcare – A key to successful welfare reform and the prevention of abuse and neglect is access to quality, affordable childcare. Without childcare assistance, many parents could not participate in job training, education, or maintain employment in order to become self-sufficient and end their dependence on government assistance. Without such assistance, the risk of children being left in unsafe environments also increases. In the 1998 legislative session, the General Assembly passed HB 1519. This bill created the early childhood development, education and care fund to support programs to improve the availability of, and access to, quality childcare and programs that prepare children to enter school ready to succeed. Because children learn more from the ages of zero to five than during any other developmental period, the availability of quality childcare is essential to preparing children for school.

Children's Treatment Services, Child Abuse and Neglect Grant, and Intensive In-Home Services – This program provides intensive family-centered services to child abuse victims and their parents. Specific services include family therapy, homemaker services, respite care, parent aides, childcare, crisis nursery services, and incentive subsidies to encourage local units of government to develop community programs to combat child abuse and neglect. The Family Reunification Program provides home-based services aimed at reuniting children with their families. The Family Preservation Program provides intensive, in-home services to help prevent placement of children in foster care and keep children with their families.

Foster Care, Children's Account, Adoption Subsidy, and Subsidized Guardianship – The Foster Care Program provides monthly room and board payments for children in the custody and care of the Children's Division. Current payment rates for homes of traditional foster parents, relatives, and kinship for age groups are as follows: 0-5 years, \$227; 6-12 years, \$277; and 13 and over, \$307. There are special placements with different rates, including Behavioral or Medical Foster Care (\$657 per month) and Career Foster Care (\$47 per day). Homes may also receive an additional \$100 per month, per child, for attending professional parenting classes. Payments also are made for non-Medicaid medical and dental services, clothing, transportation, foster parent training, and other needs. Children in state custody may receive funds from a variety of sources, including child support payments. These monies are used to offset the cost of maintaining the child in foster care and to pay for any special expenses of the child.

The Adoption Subsidy Program and Subsidized Guardianship Program provide financial assistance to parents who adopt special needs children.

Children's Programs Pool – In the Fiscal Year 1992 budget, a separate pool appropriation was developed for services for children and families. Each line item for the following children's programs was reduced by ten percent to create a Children's Programs Pool: Children's Treatment Services, Family Preservation, Foster Care, Adoption Subsidy, and Independent Living. This pooled appropriation allows flexible spending within these children's service areas and Residential Treatment.

Residential Treatment, Independent Living, and IV-E Court Contracts – Residential facilities are used when foster care cannot meet the children's treatment needs. The division contracts with a wide range of treatment programs ranging from small group homes to large, self-contained, resident campuses. Facilities must be licensed and meet the division's standards for alternative care. Transitional/Independent Living programs assist foster care children, ages 15 to 21, in learning the necessary skills for the transition from foster care to adult independent living in the community. Court Contracts through the IV-E Program allow family support to pass through federal funds to be used for reimbursement to counties for children placed in the custody of the juvenile court and who are placed in juvenile court residential facilities.

Psychiatric Diversion – This program's primary purpose is to keep children out of expensive inpatient psychiatric hospitals, while providing them with the necessary services to help them deal with their severe behavioral and emotional problems.

### Fiscal Year 2005 Governor's Recommendations

- \$9,258,160 to begin the process of gaining national accreditation for the state's Child Welfare Program, including \$6,098,458 general revenue.
- \$1,098,580 for fingerprint checks through criminal background screenings for child placement providers, including \$521,826 general revenue.
- \$2,229,087 for pay plan, including \$844,123 general revenue.
- \$1,500,000 reallocated from the Family Support Division for reorganization of the department that occurred in Fiscal Year 2004, including \$448,500 general revenue.

## DEPARTMENT OF SOCIAL SERVICES

### CHILDREN'S DIVISION (Continued)

- \$304,040 federal funds reallocated from Federal Grants and Donations in Departmental Administration for adoption continuum grant funding.
- \$200,000 transferred from the Department of Health and Senior Services for the Nurses for Newborn Program.
- \$90,383 and (4.5) staff reallocated from the Family Support Division for reorganization of the department that occurred in Fiscal Year 2004, including \$11,751 general revenue.
- (\$1,967,149) and (51.67) staff in core reduction from the Fiscal Year 2004 appropriation level, including (\$293,695) general revenue.

### FINANCIAL SUMMARY

	FY 2003 EXPENDITURE	FY 2004 APPROPRIATION	GOVERNOR RECOMMENDS FY 2005
Average Number of Children Receiving Childcare Per Month	46,824	46,824	46,824
Individuals Served Through Children's Treatment	2,825	2,825	2,825
Families Receiving Intensive In-Home Services	1,596	1,596	1,596
Children in Residential Treatment Centers (Average Per Month)	1,860	1,860	1,860
Children Receiving Independent Living Services (Annual Federal Fiscal Year)*	3,960	3,960	3,960
Number of Children Receiving Psychiatric Diversion Services	508	508	508
*FY 2003 Projected since FFY 2003 data is not yet available			
Children's Administration	\$ 0	\$ 7,301,581	\$ 7,073,286
Children's Field Staff and Operations	0	68,558,065	79,850,479
Children's Staff Training	0	1,581,618	1,581,618
Children's Treatment Services	13,814,476	13,812,017	14,012,017
Foster Care	38,422,604	44,037,106	45,135,686
Adoption and Subsidized Guardianship	46,381,336	60,119,159	60,423,199
Independent Living	5,171,123	5,084,018	3,020,000
Transitional Living	0	0	2,064,018
Children's Programs Pool	26,356,588	18,944,251	18,944,251
Child Assessment Centers	2,153,725	1,749,583	1,749,583
Residential Treatment Centers	69,727,146	69,672,123	69,672,123
Psychiatric Diversion	16,252,651	16,234,013	16,234,013
IV-E Court Contracts	243,610	700,000	700,000
Child Abuse and Neglect Grant	726,043	1,000,000	1,000,000
Foster Care Children's Account	11,100,960	12,000,000	12,000,000
Purchase of Child Care	176,424,936	181,965,908	182,012,270
TOTAL	\$ 406,775,198	\$ 502,759,442	\$ 515,472,543
General Revenue Fund	166,984,802	213,043,851	220,874,814
Federal Funds	200,801,375	261,383,829	266,266,519
Other Funds	38,989,021	28,331,762	28,331,210

## **DEPARTMENT OF SOCIAL SERVICES**

### **DIVISION OF YOUTH SERVICES**

The Division of Youth Services (DYS) is divided into three functional areas: Management and Development, Residential Services, and Alternative Services.

Management and Development is the central administrative unit with overall responsibility for designing, implementing, managing, and evaluating all programs operated by the division. Five regional offices supplement the efforts of central office staff and assure program efficiency and effectiveness at the local level.

Residential Services provides youthful offenders with structured rehabilitation programs when placement at home is no longer an option. Educational Services, a component of this program area, provides academic and vocational education to youth in residential placement. The division has seven secure facilities: Northwest Regional Youth Center in Jackson County, Hogan Street Youth Center in St. Louis City, Fulton Treatment Center in Callaway County, Mount Vernon Treatment Center in Lawrence County, Hillsboro Treatment Center in Jefferson County, Riverbend Treatment Center in Buchanan County and Montgomery City Youth Treatment Center in Montgomery County. The division also operates 19 moderately secure facilities and six community-based facilities.

Alternative Services helps youthful offenders adjust to acceptable norms of behavior. The division provides several types of alternative services: case management and classification; community care which includes day treatment, intensive supervision, and alternative living; aftercare; and the Juvenile Court Diversion Program. Case management and classification involves evaluating youths' needs before they are assigned to one of the division's programs and managing their service delivery plan during their entire length of stay with the division. Community care involves treatment of youth in the community without the youth being placed in a DYS facility. Alternative living purchased by the division includes foster care and proctor care for juveniles who cannot return to their home. Day treatment programs provide education and treatment services for youth who continue to live at home. Intensive supervision provides tracking and mentoring to youth in the community. Aftercare is the provision of counseling and other services to help juveniles return to their families and communities when released from one of the division's facilities. Finally, the Juvenile Court Diversion Program encourages local communities to develop programs to divert youth from commitment to DYS.

#### **Fiscal Year 2005 Governor's Recommendations**

- \$733,283 to replace one-time education funds for youth in the custody of DYS.
- \$25,000 other funds for the appropriation authority to reinvest proceeds generated by youth in the custody of DYS into materials needed to make products.
- \$920,351 for pay plan, including \$709,793 general revenue.
- (\$733,283) other funds to reduce one-time education funds for youth in the custody of DYS.
- (\$26,197) and (one) staff in core reduction from the Fiscal Year 2004 appropriation level, including (\$21,308) general revenue.

**DEPARTMENT OF SOCIAL SERVICES  
DIVISION OF MEDICAL SERVICES**

**FINANCIAL SUMMARY**

	FY 2003 EXPENDITURE	FY 2004 APPROPRIATION	GOVERNOR RECOMMENDS FY 2005
Administrative Services	\$ 50,392,477	\$ 51,839,796	\$ 52,103,547
Medicaid Vendor Payments and Managed Care	4,464,159,025	4,335,814,868	4,980,939,140
State Medical	33,220,497	36,744,182	39,135,557
<b>DIVISIONAL TOTAL</b>	<b>\$ 4,547,771,999</b>	<b>\$ 4,424,398,846</b>	<b>\$ 5,072,178,244</b>
General Revenue Fund	766,198,860	849,745,877	1,020,166,041
Federal Funds	3,371,809,304	3,304,037,734	3,662,897,666
Uncompensated Care Fund	91,179,332	87,900,001	91,000,001
Pharmacy Rebates Fund	77,886,599	60,410,679	96,551,200
Third Party Liability Collections Fund	13,942,522	14,065,287	11,481,125
Intergovernmental Transfer Fund	153,602,019	33,000,000	114,600,000
Nursing Facility Quality of Care Fund	80,209	81,627	81,716
Health Initiatives Fund	18,992,144	19,360,601	19,603,455
Healthy Families Trust Fund-Health Care			
Treatment and Access Account	50,953,976	50,959,100	50,959,100
Premium Fund	3,127,034	4,837,940	4,837,940

**ADMINISTRATIVE SERVICES**

Medical Services staff oversees the operation of the Medicaid, SCHIP and State Medical programs. Responsibilities include provider reimbursement; provider enrollment and relations; monitoring changes in the health care professions and their payment structures; maintaining liaison with federal agencies involved in medical services; developing policies and procedures for the operation of the program; and developing new, innovative methods of controlling health care costs through managed care plans, alternative care programs, third party liability collections and other management initiatives.

**Fiscal Year 2005 Governor's Recommendations**

- \$1,835,182 and 11 staff to provide increased staff and contract support for Medicaid cost control efforts, including \$770,623 general revenue.
- \$54,630 federal funds and one staff to maximize pharmacy tax collections.
- \$181,697 for pay plan, including \$67,995 general revenue.
- \$1,660,756 reallocated from the Pharmacy Program to separate Pharmacy Program Management core funding, including \$726,746 general revenue.
- (\$2,268,514) and (19.4) staff in core reduction from the Fiscal Year 2004 appropriation level, including (\$161,845) general revenue.
- (\$1,200,000) federal funds core reduction from the Fiscal Year 2004 appropriation level due to managed care contract rebid.

**MEDICAID VENDOR PAYMENTS AND MANAGED CARE**

The Medicaid Program (Title XIX of the Social Security Act) is a federal-state effort to pay the health care of those who cannot pay for their own care. Federal law sets the minimum provisions for any state that opts to administer a Medicaid Program. These include hospital, physician, laboratory, skilled nursing home care, home health care, and family planning services. Other allowable optional services in Missouri's Medicaid Program are prescription drugs, clinic services, ambulance, adult daycare, personal care services, homemaker and chore services, durable medical equipment, psychiatric services, rehabilitation services, long-term care, hospice, dental, and case management. The program also pays for Medicare premiums for eligible individuals.

The 1115 Waiver is a federal-state effort to pay for the health care of uninsured children up to 300 percent of poverty, extended transitional medical assistance for adults, and women's health services. Adults receiving Medicaid as a result of this waiver will receive a commercial package of services equivalent to that offered to State of Missouri employees. Children will receive a package equal to Medicaid coverage without non-emergency transportation.

The State Medical Program allows child welfare services and Blind Pension recipients who are not eligible for the federal Medicaid Program to receive necessary non-institutional, nursing facility, and hospital medical care.

**DEPARTMENT OF SOCIAL SERVICES  
DIVISION OF MEDICAL SERVICES**

**MEDICAID VENDOR PAYMENTS AND MANAGED CARE (Continued)**

**MEDICAID EXPENDITURES  
SELECTED SERVICES AND ANNUAL TOTALS**

	FY 2003 EXPENDITURE	FY 2004 APPROPRIATION	GOVERNOR RECOMMENDS FY 2005
Average number of Fee-for-Service eligibles*	463,736	504,000	504,000
Average monthly cost per eligible for Fee-for-Service*	\$691.84	\$754.00	\$822.00
Average number of eligibles enrolled in managed care*	372,537	413,000	413,000
Average monthly cost per eligible for managed care*	\$136.19	\$146.00	\$156.00
Number of children receiving health care through 1115 Waiver	80,435	91,301	91,301
Average monthly cost per child in the 1115 Waiver	\$100.33	\$110.00	\$120.00
Number of EPSDT Screenings	97,823	98,000	98,000
*Excludes 1115 Waiver			
Pharmacy	\$ 821,212,590	\$ 937,749,272	\$ 1,230,540,023
Physician	270,056,656	295,097,283	324,935,944
Dental	13,320,301	9,363,572	32,236,460
Home- and Community-Based Services	264,545,191	275,122,935	295,448,348
Nursing Homes	430,044,641	446,053,834	405,908,715
Rehabilitation and Specialty Services	118,388,216	119,782,670	141,853,385
Managed Care	625,024,783	742,649,674	826,504,811
Hospital Care	519,637,573	607,215,339	664,181,300
Safety Net Hospitals	0	23,000,000	23,000,000
Medicaid Supplemental Pool	411,476,969	73,026,926	154,198,085
FRA, NFFRA, and UCC	607,941,664	595,000,000	627,000,000
Children's Health Insurance Program	91,812,941	84,841,848	112,919,740
Department of Elementary and Secondary Education Services	0	33,230,000	33,369,908
Mental Health Services	209,427,184	0	0
Health and Senior Services	666,587	4,191,968	4,191,968
Other Medicaid	80,603,729	89,489,547	104,650,453
<b>Total</b>	<b>\$ 4,464,159,025</b>	<b>\$ 4,335,814,868</b>	<b>\$ 4,980,939,140</b>

**DEPARTMENT OF SOCIAL SERVICES  
DIVISION OF MEDICAL SERVICES**

**MEDICAID VENDOR PAYMENTS AND MANAGED CARE (Continued)**

**Fiscal Year 2005 Governor's Recommendations**

- \$220,559,827 for additional anticipated costs of existing Medicaid programs to ensure that all program cores are sufficiently funded to meet projected expenditures, including \$77,567,633 general revenue.
- \$157,033,625 to address the anticipated increases in the Pharmacy Program due to new drugs, therapies, and inflation, including \$59,911,534 general revenue.
- \$140,525,951 for anticipated caseload increases in Medicaid programs, including \$38,851,444 general revenue.
- \$85,000,000 federal and other funds to process hospital payments.
- \$32,000,000 federal funds to align nursing facility appropriations with projected expenditures.
- \$31,584,173 for increased costs and utilization of pharmacy prescriptions by the elderly and those with disabilities, including \$12,245,184 general revenue.
- \$25,044,862 to apply a 13 percent pharmacy trend factor and a 5 percent non-pharmacy trend factor for both utilization and cost component increases for managed care in the eastern, central, and western regions, including \$8,898,264 general revenue.
- \$23,140,500 other funds to align appropriations with anticipated pharmacy rebate revenue growth from implementation of a preferred drug list.
- \$21,094,611 to expand Medicaid eligibility for the elderly and disabled from 90 percent of the federal poverty level to 100 percent of the federal poverty level, including \$8,178,381 general revenue.
- \$17,805,639 for the remaining months of the 2004 managed care trend factor, including \$6,455,597 general revenue.
- \$8,916,898 for an adjustment to address the change in the federal participation percentage, including \$8,237,504 general revenue.
- \$8,048,508 to compensate for anticipated increases in Medicare Part A and B premiums, including \$3,118,995 general revenue.
- \$4,809,296 to meet ongoing reimbursement needs to out-of-state hospitals, including \$1,864,564 general revenue.
- \$3,228,966 other funds to replace general revenue in the core Children's Health Insurance Program and the 1115 Waiver-Adult program.
- \$3,158,801 to continue funding for the increase in Medicaid eligibility for the elderly and disabled to 90% of the federal poverty level, including \$1,224,666 general revenue.
- \$926,211 federal funds to provide two annual nurse visits in accordance with SB 556 and 311 (2003).
- \$175,667 for anticipated increases to Medicare hospice rates, including \$68,106 general revenue.
- \$108,200 to fund prostheses and scalp hair prostheses through the Medicaid Managed Care Program in accordance with HB 455 (2003), including \$35,430 general revenue.
- \$586,464 transferred from the Department of Health and Senior Services to support nurse visits.
- (\$24,460,590) core reduction in physician payments due to Medicare repricing, including (\$9,483,371) general revenue.
- (\$21,486,915) core reduction for implementing recipient copayments for selected Medicaid services, including (\$8,330,477) general revenue.
- (\$19,500,000) core reduction in nursing facility payments due to Medicare repricing, including (\$7,560,150) general revenue.
- (\$17,365,500) core reduction for a preferred drug list with supplemental rebates.
- (\$12,956,725) one-time core reduction for nursing facility grant funding, including (\$5,000,000) general revenue.
- (\$8,916,898) core reduction due to changes in the federal participation rates, including (\$616,614) general revenue.
- (\$7,000,000) federal funds core reduction of excess authority in the nursing facility federal reimbursement allowance fund.
- (\$4,923,161) core reduction in nursing homes due to increases in patient surpluses, including (\$1,908,709) general revenue.
- (\$4,500,000) core reduction for expansion of disease state and case management in the Pharmacy Program, including (\$1,744,650) general revenue.
- (\$3,828,841) other funds core reduction of excess authority in the Medicaid Supplemental Pool.
- (\$3,675,003) federal funds core reduction for Medicaid savings from medical support orders that shift health care expenditures for children from Medicaid to the private health insurance policies of their non-custodial parents, including (\$1,424,799) general revenue.
- (\$3,228,966) replaced with other funds in the Children's Health Insurance Program and 1115 Waiver-Adults Program.
- (\$2,358,300) core reduction to enhance the match rate for Non-Emergency Medical Transportation (NEMT).
- (\$1,660,756) reallocated from the Pharmacy Program to separate Pharmacy Program Management core funding, including (\$726,746) general revenue.
- (\$1,449,801) core reduction for application of edits based on the Medicare Correct Coding Initiative, including (\$562,088) general revenue.
- (\$789,888) core reduction for proposed asset limit changes in the Children's Health Insurance Program, including (\$105,520) general revenue.
- (\$522,583) core reduction for savings benefits through program integrity initiatives, including (\$202,606) general revenue.



**DEPARTMENT OF SOCIAL SERVICES  
DIVISION OF MEDICAL SERVICES**

**STATE MEDICAL**

	FY 2003	FY 2004	FY 2005
Caseload average for Child Welfare Services	583	583	583
Caseload average for Blind Pension	2,839	2,839	2,839
Caseload average for the Division of Youth Services	576	576	576

**Fiscal Year 2005 Governor's Recommendations**

- \$2,391,375 to address the rising costs in the Pharmacy Program due to new drugs, therapies, and inflation.

# DEPARTMENT OF TRANSPORTATION

## FINANCIAL SUMMARY

	FY 2003 EXPENDITURE	FY 2004 APPROPRIATION	FY 2005 REQUEST	GOVERNOR RECOMMENDS FY 2005
Highway Administration	\$ 29,874,741	\$ 32,971,184	\$ 26,782,571	\$ 27,173,333
Fringe Benefits	99,139,541	115,508,286	132,892,904	132,892,904
Service Operations	102,940,278	100,304,371	98,888,105	99,201,424
Highway Maintenance	228,205,923	264,945,784	291,861,982	294,458,297
Highway Construction	1,311,837,913	1,157,438,643	1,030,213,940	1,031,830,268
Multimodal Operations and Programs	48,013,753	53,445,347	69,521,507	54,645,566
DEPARTMENTAL TOTAL	\$ 1,820,012,149	\$ 1,724,613,615 *	\$ 1,650,161,009	\$ 1,640,201,792
General Revenue Fund	10,385,355	10,665,296	26,773,614	11,871,012
Federal Funds	29,251,978	55,597,241	53,276,001	53,292,811
Motorcycle Safety Trust Fund	0	50,000	300,000	300,000
Grade Crossing Safety Account	0	1,500,000	1,500,000	1,500,000
State Road Fund	1,435,689,833	1,277,914,494	1,170,684,266	1,170,684,266
State Highways and Transportation Department Fund	336,207,110	370,626,500	389,337,766	394,248,442
Railroad Expense Fund	0	861,839	870,001	878,489
State Transportation Fund	1,575,763	1,771,132	1,765,428	1,766,238
Light Rail Safety Fund	0	1	1	1
State Transportation Assistance Revolving Fund	425,000	550,000	550,000	550,000
Aviation Trust Fund	6,477,110	5,077,112	5,103,932	5,110,533
Full-time equivalent employees	6,671.75	6,682.25	6,690.25	6,690.25

\* Does not include \$1,063,602 recommended in the Fiscal Year 2004 Supplemental Appropriations. See the Supplemental Section of the Missouri Budget for details regarding the Department of Transportation supplemental appropriations.

## POLICY SUMMARY

Governor Holden's budget for Fiscal Year 2005 provides a total of \$1.6 billion for the Department of Transportation. The department is responsible for overseeing all aspects of Missouri's transportation system. The core functions of the Department of Transportation include:

- Constructing and maintaining the state road and bridge system – a key component of state economic development efforts.
- Providing capital improvement and operating assistance grants for rural and urban transit systems, public airports, ports, ferry boats, and passenger rail service.
- Registering commercial motor vehicles.

### Protecting Missouri's Transportation Infrastructure

Missouri's position at the center of the nation makes it a transportation hub for national and international traffic, but people and goods cannot be moved efficiently when the roads and bridges are in poor condition. If the state is to benefit from the economic advantages of being a transportation hub, the transportation infrastructure must be adequately maintained. The Missouri State Highways and Transportation Commission has begun to focus more of its limited resources toward maintaining the existing road and bridge infrastructure. In addition, since 2000 the commission has issued \$907 million in bonds to fund high priority road and bridge projects. For Fiscal Year 2005, Governor Holden recommends:

- \$121.9 million state road fund for road and bridge construction and maintenance.
- \$2.5 million state road fund for additional federal transportation enhancement projects.

## **DEPARTMENT OF TRANSPORTATION**

### **POLICY SUMMARY (Continued)**

#### **Ensuring Safety on Missouri Roadways**

With over 32,000 miles of roadways composing the seventh largest road and bridge system in the country, the Department of Transportation assumes a huge responsibility for the safety of highway users. Various safety programs are administered in an effort to reduce deaths, injuries, and property damage caused by personal and commercial vehicle traffic crashes on Missouri roadways. In addition, the department works to improve the designs, signage, and striping of roadways to help prevent traffic crashes. For Fiscal Year 2005, Governor Holden recommends:

- \$1.1 million state highways and transportation department fund for a program to assist new commercial motor carriers in meeting required safety standards.
- \$250,000 motorcycle safety trust fund for expansion of a program that instructs riders regarding the safe operation of a motorcycle.

#### **Maintaining Passenger Rail Service**

Passenger rail service provided an alternate mode of transportation for over 167,000 passengers in Fiscal Year 2003. This service is particularly important for people who do not have access to a personal vehicle, but have the need to travel between St. Louis and Kansas City. For Fiscal Year 2005, Governor Holden recommends:

- \$1.2 million to maintain daily, round-trip, passenger rail service between St. Louis and Kansas City.

#### **Improved Efficiency**

Missouri has always been a low tax state and has, therefore, provided only essential services at a very low cost. The state's already low tax level, combined with two consecutive years of declining revenue, has led to significant reductions in many programs. However, under Governor Holden's leadership, state agencies have minimized the negative impact on services by dramatically reducing administrative costs and by developing ways to provide remaining services in the most efficient manner possible.

The Department of Transportation has aggressively improved the services it provides and has reduced administrative costs by:

- Consolidating administrative functions throughout the department, resulting in a reduction of over \$19 million and 255 staff in Fiscal Year 2003, which was redirected to the construction program.
- Reallocating \$2 million from administration to maintenance projects in Fiscal Year 2004.
- Revamping the department's fleet operations, resulting in cost savings of almost \$2 million. These savings were redirected toward replacement of equipment that was in need of replacement.
- Renegotiating rest area service contracts and refinancing lease/purchase contracts that resulted in cost savings of over \$1 million. These savings were redirected to fund highway maintenance projects.
- Eliminating seven public information officers, resulting in savings of approximately \$300,000 annually.

In addition to cost-cutting measures already implemented, the Department of Transportation plans to:

- Scrutinize all job vacancies, filling only critical positions.
- Eliminate seven staff positions no longer necessary because of improved administrative operations.
- Study purchasing practices to find more efficient ways of providing employees with the equipment and supplies needed to maintain the state transportation system.
- Study the feasibility of consolidating maintenance shed operations to provide services more efficiently at the local level.

#### **Cuts Already Made**

The Department of Transportation has worked to minimize the impact of reduced funding on services. However, the department's funding for services has been cut in recent years. For example, operating assistance for transit providers has been reduced by over \$4.6 million since Fiscal Year 2002, eliminating approximately 1,250,000 trips. Many people who are not able to drive, or do not own a vehicle, rely on public transportation to get to work, to get to medical appointments, and to carry out other daily activities. In addition, funding for the Missouri Elderly and Handicapped Transportation Assistance Program (MEHTAP) was cut by nearly \$150,000, eliminating approximately 29,400 trips in 2004. The MEHTAP program provides operating assistance to local, non-profit transportation providers, many of which are located in rural areas.

## DEPARTMENT OF TRANSPORTATION

### POLICY SUMMARY (Continued)

Some performance measures the Department of Transportation uses to evaluate its goal of preserving and improving Missouri's transportation system to enhance safety and encourage prosperity follow.

	2000	2001	2002
Rate of vehicle accidents per 100 million miles traveled (state system only)	185.45	193.63	193.88
Rate of injury accidents per 100 million vehicle miles (state system only)	53.98	54.63	56.11
Rate of fatal accidents per 100 million vehicle miles (state system only)	1.55	1.52	1.69
Vehicle miles traveled annually (state system only)	47.0 billion	47.5 billion	47.9 billion
Percent of bridges that meet condition standards	85.7%	85.8%	85.6%

	2001	2002	2003
Amtrak ridership	207,928	188,800	167,245
Barge tonnage loaded/unloaded at Missouri ports	3,521,671	3,800,000	2,300,000
Missouri Elderly and Handicapped Transportation Assistance Program – number of trips provided	4,516,407	4,356,938	4,571,277

## **DEPARTMENT OF TRANSPORTATION**

### **HIGHWAY ADMINISTRATION**

This section includes divisions that support the operations of the Highways and Transportation Commission, as well as the central functions of the department such as accounting, risk management, financial planning, and human resource management. Also included in this section is the internal Office of Inspector General, which is charged with oversight of all of the department's expenditures.

#### **Fiscal Year 2005 Governor's Recommendations**

- \$390,762 state highways and transportation department fund for pay plan.
- (\$5,077,070) state highways and transportation department fund and (126) staff reallocated to various divisions.
- (\$1,111,543) state highways and transportation department fund core reduction from the Fiscal Year 2004 appropriation level.

### **FRINGE BENEFITS**

This section includes the costs of providing medical and life insurance, retirement benefits, and workers' compensation for all Department of Transportation employees that are members of the Highway Employees and Highway Patrol Retirement System.

#### **Fiscal Year 2005 Governor's Recommendations**

- \$17,788,669 federal and other funds for increased fringe benefit costs.
- (\$404,051) core reduction from the Fiscal Year 2004 appropriation level, including (\$18) general revenue.

### **SERVICE OPERATIONS**

This section consists of General Services and Information Systems. The General Services section provides fleet and facilities management, graphic services, procurement, and other special services. The Information Systems section oversees the department's information technology infrastructure and assists users of the system. Information systems are vital to the efficient day-to-day operations of the department.

#### **Fiscal Year 2005 Governor's Recommendations**

- \$5,474,000 state road fund for service operations of the department.
- \$313,319 state highways and transportation department fund for pay plan.
- (\$6,598,774) state highways and transportation department fund and (39.50) staff reallocated to various divisions.
- (\$291,492) federal and other funds core reduction from the Fiscal Year 2004 appropriation level.

## DEPARTMENT OF TRANSPORTATION

### HIGHWAY MAINTENANCE

The Highway Maintenance section maintains the state road system, public rest areas, and weigh stations. Projects such as road and shoulder rehabilitation, bridge repair and maintenance, snow and ice removal, right-of-way mowing, and many other maintenance projects protect the state's investment in the transportation infrastructure and improve safety on Missouri roadways. This section also includes highway safety programs and the oversight of commercial motor vehicles throughout the state.

#### Fiscal Year 2005 Governor's Recommendations

- \$15,094,044 state road fund for maintenance projects.
- \$3,025,266 state highways and transportation department fund and 40.55 staff for the Motor Carrier Services Program.
- \$608,148 state road fund for the maintenance program made available due to a reduction in administration.
- \$250,000 motorcycle safety trust fund for the motorcycle safety program.
- \$2,596,315 federal and other funds for pay plan.
- \$10,494,127 state road fund and 141.50 staff reallocated from various divisions in the department.
- (\$2,555,387) federal funds and (32.55) staff core reduction from the Fiscal Year 2004 appropriation level.

	FY 2003 EXPENDITURE	FY 2004 APPROPRIATION	GOVERNOR RECOMMENDS FY 2005
PERSONAL SERVICE			
Federal Funds	\$ 0	\$ 1,364,333	\$ 453,595
State Highways and Transportation Department Fund	114,483,266	124,430,700	133,388,049
EXPENSE AND EQUIPMENT			
Federal Funds	0	1,877,775	842,732
Motorcycle Safety Trust Fund	0	50,000	0
State Road Fund	112,924,703	116,675,404	137,218,646
State Highways and Transportation Department Fund	0	1,324,502	2,728,513
PROGRAM SPECIFIC DISTRIBUTION			
Federal Funds	0	18,632,751	18,633,095
Motorcycle Safety Trust Fund	0	0	300,000
State Road Fund	797,954	590,319	893,667
TOTAL	\$ 228,205,923	\$ 264,945,784	\$ 294,458,297
Federal Funds	0	21,874,859	19,929,422
Motorcycle Safety Trust Fund	0	50,000	300,000
State Road Fund	113,722,657	117,265,723	138,112,313
State Highways and Transportation Department Fund	114,483,266	125,755,202	136,116,562
Full-time equivalent employees	3,726.84	3,716.75	3,866.25

## DEPARTMENT OF TRANSPORTATION

### HIGHWAY CONSTRUCTION

This section oversees the state road construction program and such activities as land acquisition, contracting for road and bridge construction, monitoring of construction programs, and transportation enhancement activities.

#### Fiscal Year 2005 Governor's Recommendations

- \$106,773,535 state road fund for construction projects.
- \$15,989,846 state road fund for debt service on outstanding road bonds.
- \$2,500,000 state road fund for transportation enhancement projects statewide.
- \$1,826,803 state road fund for increased cost of general liability insurance for the department.
- \$503,395 state highways and transportation department fund for the construction program made available due to a reduction in administration.
- \$1,616,328 state highways and transportation department fund for pay plan.
- \$1,181,717 state road fund and 24 staff reallocated from various divisions in the department.
- (\$255,999,999) state road fund core reduction from the Fiscal Year 2004 appropriation level to accurately reflect available funding for road and bridge projects.

	FY 2003 EXPENDITURE	FY 2004 APPROPRIATION	GOVERNOR RECOMMENDS FY 2005
PERSONAL SERVICE			
State Highways and Transportation Department Fund	\$ 77,701,648	\$ 79,634,659	\$ 82,432,704
EXPENSE AND EQUIPMENT			
State Road Fund	1,088,153,454	888,338,561	775,078,521
PROGRAM SPECIFIC DISTRIBUTION			
State Road Fund	145,982,811	189,465,423	174,319,043
TOTAL	\$ 1,311,837,913	\$ 1,157,438,643	\$ 1,031,830,268
State Road Fund	1,234,136,265	1,077,803,984	949,397,564
State Highways and Transportation Department Fund	77,701,648	79,634,659	82,432,704
Full-time equivalent employees	1,975.75	1,913.00	1,937.00

**DEPARTMENT OF TRANSPORTATION  
MULTIMODAL OPERATIONS AND PROGRAMS**

**FINANCIAL SUMMARY**

	FY 2003 EXPENDITURE	FY 2004 APPROPRIATION	GOVERNOR RECOMMENDS FY 2005
Multimodal Operations	\$ 4,494,763	\$ 7,274,710	\$ 6,916,855
Transit Programs			
Capital Assistance for Transportation of Elderly and Disabled Citizens	3,008,925	2,003,255	2,083,385
State Aid for Transportation of Elderly, Disabled, and Low-Income Citizens	2,709,989	2,793,805	2,793,805
Small Urbanized Transit	0	1	1
Small Urban and Rural Transportation	7,262,406	5,828,263	6,061,394
Public Transit Capital Grants	6,979,819	12,000,000	12,000,000
Transit Planning Grants	756,596	1,120,311	1,165,123
Railroad Programs			
Local Rail Service Assistance	0	1	1
State Amtrak Assistance	5,800,000	5,000,000	6,200,000
Amtrak Station Improvements and Advertising	25,000	25,000	25,000
Rail Equipment	0	0	1
Light Rail Safety	0	1	1
Railroad Grade Crossing Safety	0	1,500,000	1,500,000
Aviation Programs			
State Aid to Airports	6,094,765	4,600,000	4,600,000
Federal Aviation Assistance	10,680,346	11,000,000	11,000,000
Waterways Programs			
Port Authority Assistance	201,144	300,000	300,000
TOTAL	\$ 48,013,753	\$ 53,445,347	\$ 54,645,566
PERSONAL SERVICE			
General Revenue Fund	259,458	289,321	295,107
Federal Funds	297,418	473,550	403,695
State Highways and Transportation Department Fund	159,096	163,675	145,194
Other Funds	294,964	815,457	810,838
EXPENSE AND EQUIPMENT			
General Revenue Fund	12,654	22,105	22,053
Federal Funds	127,673	650,000	400,000
State Road Fund	8,995	15,000	15,000
Other Funds	104,455	311,083	191,150
PROGRAM SPECIFIC DISTRIBUTION			
General Revenue Fund	7,249,263	6,483,114	7,683,114
Federal Funds	28,720,226	32,023,331	32,381,405
Grade Crossing Safety Account	0	1,500,000	1,500,000
Other Funds	7,976,848	6,933,122	7,032,421
FUND TRANSFERS			
General Revenue Fund	2,802,703	3,765,589	3,765,589
TOTAL	\$ 48,013,753	\$ 53,445,347	\$ 54,645,566
General Revenue Fund	10,324,078	10,560,129	11,765,863
Federal Funds	29,145,317	33,146,881	33,185,100
Grade Crossing Safety Account	0	1,500,000	1,500,000
State Road Fund	8,995	15,000	15,000
State Highways and Transportation Department Fund	159,096	163,675	145,194
Other Funds	8,376,267	8,059,662	8,034,409
Full-time equivalent employees	22.59	36.00	36.00



## **DEPARTMENT OF TRANSPORTATION**

### **MULTIMODAL OPERATIONS AND PROGRAMS (Continued)**

#### **MULTIMODAL OPERATIONS**

This section consists of the non-highway programs, including aviation, transit, rail, and waterways. Transportation in Missouri is much more than roads and bridges. MoDOT administers a number of state and federal programs that support various modes of transportation.

The transit section provides financial and technical assistance to public transit and specialized transit providers across the state. This function is carried out through the administration of state and federal programs related to general public transportation as well as specific transit programs for agencies serving senior citizens and/or persons with disabilities.

The rail section is responsible for improving freight rail services, passenger rail service, and the railroad/highway grade crossing safety program in the state. The rail unit also prepares and implements a state rail plan and administers federal funds to increase safety at railroad crossings.

The aviation section oversees state and federal funding programs for airport maintenance and capital improvement projects. This section is also responsible for airport safety inspections, maintaining the state airport systems plan, and working with local governments to secure federal aviation funding and successfully implement airport improvement plans.

The waterways section assists cities and counties in forming port authorities, which foster local economic growth. It also provides technical assistance and a limited amount of capital and administrative funding to assist with port operations.

#### **Fiscal Year 2005 Governor's Recommendations**

- \$12,299 aviation trust fund for reimbursement of professional and technical services funded from the state highways and transportation department fund.
- 0.21 staff to allocate staff time to the appropriate funding source.
- \$32,447 for pay plan, including \$5,786 general revenue.
- (\$402,601) and (0.21) staff core reduction from the Fiscal Year 2004 appropriation level, including (\$52) general revenue.

#### **CAPITAL ASSISTANCE FOR TRANSPORTATION OF ELDERLY AND DISABLED CITIZENS**

The transit section administers the federal Section 5310 program that provides assistance to local not-for-profit transportation providers and public entities serving the elderly and people with disabilities. These entities use the federal funds to match local funds for purchasing vehicles.

#### **Fiscal Year 2005 Governor's Recommendations**

- \$80,130 federal funds for bus, van, and related equipment purchases by local, not-for-profit transit providers and public entities.

#### **STATE AID FOR TRANSPORTATION OF ELDERLY, DISABLED, AND LOW-INCOME CITIZENS**

The Missouri Elderly and Handicapped Transportation Assistance Program provides operating assistance for not-for-profit transportation providers serving elderly and disabled Missourians. State funds are used to match local, private, and federal funds available to these providers.

#### **Fiscal Year 2005 Governor's Recommendations**

Continue funding at the current level.

#### **SMALL URBANIZED TRANSIT ASSISTANCE**

The federal Section 5307 program provides operating and capital assistance to public transportation systems in cities with populations between 50,000 and 200,000. These federal funds can be used as an offset for up to 50% of operating losses and up to 80% of capital expenses such as vehicle and equipment purchases.

#### **Fiscal Year 2005 Governor's Recommendations**

Continue funding at the current level.

## **DEPARTMENT OF TRANSPORTATION**

### **MULTIMODAL OPERATIONS AND PROGRAMS (Continued)**

#### **SMALL URBAN AND RURAL TRANSPORTATION PROGRAM**

Federal funds authorized under Section 5311 and administered by the transit section may be used to assist small urban and rural areas with a population less than 50,000. These federal funds can be used to offset up to 50 percent of operating losses/administrative expenses and up to 50 percent of capital expenses such as vehicle and equipment purchases.

##### **Fiscal Year 2005 Governor's Recommendations**

- \$233,131 federal funds for operating assistance for non-urbanized areas and small city transit systems.

#### **PUBLIC TRANSIT CAPITAL GRANTS**

The federal Section 5309 program is also administered by the transit section and provides financial assistance to rural and urban transit operators. These funds can be used to purchase buses and bus-related facilities and equipment.

##### **Fiscal Year 2005 Governor's Recommendations**

Continue funding at the current level.

#### **PLANNING GRANTS**

Federal funds available through the Section 5303 program enable metropolitan transit planning activities in seven metropolitan areas – St. Louis, Kansas City, Springfield, Columbia, St. Joseph, Joplin, and Jefferson City. This program supports demographic forecasting, corridor studies, transit service analysis, route and schedule evaluation, financial capacity analysis, special needs investigations, and transit management studies.

##### **Fiscal Year 2005 Governor's Recommendations**

- \$44,812 federal funds for financial assistance to metropolitan transit planning organizations.

#### **LOCAL RAIL FREIGHT ASSISTANCE PROGRAM**

This program distributes federal financial assistance for acquisition, rehabilitation, improvement, or rail facility construction assistance. Program activities are contingent upon the availability of federal funding through Section 5 of the Department of Transportation Act.

##### **Fiscal Year 2005 Governor's Recommendations**

Continue funding at the current level.

#### **STATE PASSENGER RAIL ASSISTANCE AND STATION IMPROVEMENTS**

Through the state Passenger Rail Assistance Program, Missourians are able to enjoy the benefits of service between Kansas City and St. Louis, with stops at various cities along the route. The state pays for a portion of the costs to run the twice-daily train route in addition to providing a small amount of assistance for station improvements.

##### **Fiscal Year 2005 Governor's Recommendations**

- \$1,200,000 to continue twice-daily passenger rail service across the state.

#### **RAIL EQUIPMENT**

As the federal government considers a nationwide system of high-speed rail transportation, federal funds may become available to states.

##### **Fiscal Year 2005 Governor's Recommendations**

- \$1 federal funds on an open-ended basis for the study of high-speed rail service.

## **DEPARTMENT OF TRANSPORTATION**

### **MULTIMODAL OPERATIONS AND PROGRAMS (Continued)**

#### **LIGHT RAIL SAFETY**

This program provides staff to investigate any accidents involving the light rail system. The light rail operators bear the cost of this program through reimbursements for the state services.

#### **Fiscal Year 2005 Governor's Recommendations**

Continue funding at the current level.

#### **RAILROAD GRADE CROSSING SAFETY**

This program provides state and federal resources to complete projects improving the safety of railroad grade crossings. The state funds come from a portion of the fee for motor vehicle licensing.

#### **Fiscal Year 2005 Governor's Recommendations**

Continue funding at the current level.

#### **STATE AID TO AIRPORTS/FEDERAL AVIATION ASSISTANCE**

This program uses state and federal funds for airport capital improvements; maintenance of runways, taxiways, and aprons; and for emergency repairs on safety-related items. The state portion of these projects is funded from the aviation trust fund, which receives the use tax collected on aviation fuel.

#### **Fiscal Year 2005 Governor's Recommendations**

Continue funding at the current level.

#### **STATE AID TO PORT AUTHORITIES**

This program provides a limited amount of assistance to local port authorities for administration, planning, and development activities. The active port authorities in Missouri are the Howard/Cooper County Regional Port Authority, Jefferson County Port Authority, Pemiscot County Port Authority, Southeast Missouri Regional Port Authority, Mississippi County Port Authority, New Madrid County Port Authority, New Bourbon Port Authority, St. Joseph Regional Port Authority, Lewis County-Canton Missouri Port Authority, and the Ports of Kansas City, St. Louis, and St. Louis County.

#### **Fiscal Year 2005 Governor's Recommendations**

Continue funding at the current level.